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NATIONAL ECONOMIC POLICY

PRC ECONOMIC JOURNAL EXPOUNDS ON INTELLECTUAL PRODUCTION

Beijing JINGJI YANJIU in Chinese No 6, 20 Jun 79 pp 25-32 HK

[Article by Sun Changning [1940 2273 3020], Sha Jicai [3912 4060 4020] and Zeng Wuyi [8060 1010 1000]: "Tentative Remarks on Socialist Intellectual Production:"]

[Text] Based on the spirit of "emancipation of thinking and bold exploration" and according to the basic principle of Marxism, we wish to discuss our views of the following problems: the formation and development of intellectual production, its special features, and its dialectical relationship with material production. It is our hope that this will attract the public's attention and lead to further discussions. It is our conviction that the problem of intellectual production can be elucidated through discussion. This has important significance for the realization of our country's four modernizations.

I

Intellectual production is one of the important activities of man. It is because human labor is distinct from the activities of other animals. Human labor is conscious and purposeful activity. It is a unity of physical and mental labor. Human labor is performed upon the foundation of certain scientific and technological conditions and is dominated by certain thoughts and consciousness. Marx pointed out: "A spider conducts operations that resemble those of a weaver, and a bee puts to shame many an architect in the construction of her cells. But what distinguishes the worst architect from the best of bee is that the architect builds his structure in his imagination before he erects it in reality. At the end of every labor process, we get a result that already existed in the imagination of the laborer at its commencement." (Marx: "Capital" vol 1 p 202). Although Marx is not directly discussing intellectual production here, he has actually described the process of intellectual production by illustrating the special features of human labor. This has in turn pointed to the existence of the labor of intellectual production. If an architect wants to build a house, he will first collect an impression of the objective external world in his head.

Then he will process and remold such an impression until a "conception" appears in his mind so that he can put down the architectural design of the house on the drafting paper. This is an intellectual product. In actual fact, not only the architects, but also scientists, designers, writers and artists are all laborers of intellectual production. They engage primarily in mental labor and their brains are their "workshops." Expressing the external world through thinking, scientific conception and artistic symbols, they create various kinds of useful intellectual products. These satisfy the demands of social development, human production and human life. Therefore, all scientific research (including natural sciences and social sciences) and activities of cultural and artistic creations are intellectual products. The departments and spheres of these activities all belong to the realm of intellectual production.

The formation and development of intellectual production is premised on material production. The nature of intellectual production depends on the definite form of material production. Marx once pointed out: "The definite form of material production produces first, a definite social structure and second a definite relation between man and nature. These two determine the state system and intellectual form of man. Therefore, the nature of man's intellectual production is also determined by these two." "To study the connection between intellectual production and material production, the material production itself should not be examined as a general category. Rather it should be examined as a definite historical form. For instance, intellectual production in conformity to the capitalist mode of production is different from intellectual production in conformity to the medieval mode of production. If the material production itself is not looked at from its specific historical form, then it is impossible to understand the special features of the intellectual production in conformity to it and the interaction between these two kinds of production." ("Collected Works of Marx and Engels," "Theories of surplus value," vol 26 p 296) In conformity to Marx's teaching here, we proceed to make a brief historical examination of the formation and development of intellectual production from its respective form of material production.

In the history of human society, the formation and development of intellectual production follow the advances of the social productive forces. It has a different nature and characteristics in different societies.

During the long years of the primitive communist society, due to the extremely low level of development of the productive forces, there was no or very few surplus products. Primitive men relied on an immense amount of physical labor to satisfy their basic needs, such as food, drink, rest, shelter from wind, rain, hot and cold weather, bearing and raising children. Their life was one of extreme poverty. There were no special intellectual producers in primitive society. The frescoes in the caves of primitive men and the few simple ornaments they wore were mostly accidental creations of these material producers in their limited leisure. In the very beginning, intellectual production and material production were one single unity. "The production

of thoughts, concepts and consciousness were originally directly interspersed with human material activities, human material interaction and the language of real life. ("Collected Works of Marx and Engels," "The German Ideology," vol 3, p 29)

Following the continued development of the productive forces, the tools and techniques of production underwent continuous improvements. Slowly, a constant amount of surpluses emerged. The accumulation and increase of surplus products laid the foundation for the social division of labor, the separation of handicraft industry and agriculture and the differentiation between towns and villages. It also laid the foundation for the social stratification of classes. Eventually there emerged an exploiting class for the uncompensated possession of surplus products. There was also a group of intellectual producers who specialized in mental labor and depended on sharing the surplus products of the exploiting class. Alongside the great majority of physical laborers fully committed to material production, this group of intellectual laborers eventually "became a class freed from direct productive labor, which attended to the general affairs of society such as: the direction of labor, state business, law, science, art and so on." ("Selected Works of Marx and Engels," "Anti-Duhring," vol 3 p 321) In this way, intellectual production developed to the point of being in opposition to material production. By the time of capitalistic production based on mechanized large-scale industries, there was "the separation of the intellectual powers of production from the manual labor in the process of production, and the conversion of those powers into the might of capital over labor." (Marx, "Capital" vol 1, p 464) Intellectual production has become the means for the growth of capital and for exploitation of workers. In a capitalist society, intellectual production yields to the needs of a minority ruling class. The power in control of culture, science and education are all in the hands of the capitalist class. The productive function of intellectual production is possessed by the capitalist class. The intellectual products created through intellectual production are enjoyed by the few exploiters while the proletariat and the laboring people are deprived of their means of production and the right to engage in intellectual production. The cultural and spiritual life of the laborers is kept at the lowest level. In the final analysis, this kind of situation is determined by the system of private ownership of the means of production. As pointed out by Marx and Engels: "The genuine spiritual wealth of the individual is determined by the wealth of his actual relations." "The class which dominates the material means of production is also the class which dominated the intellectual means of production. Therefore, the thoughts of those who are deprived of their intellectual means of production are generally dominated by the ruling class." ("Collected Works of Marx and Engels," "The German Ideology," vol 3, pp 42 & 52)

At the same time, in a capitalist society there also exists another kind of contradiction between material production and intellectual production on the one hand, material production demands that intellectual production adjust to its development, reflect its demands and satisfy its needs for development. On the other hand, the capitalist system of private ownership restrained

the thorough development of scientific theories and their widespread applications. It even caused capitalist production to be "at odds with certain areas of intellectual production such as art and poetry." ("Collected Works of Marx and Engels," "Theories of Surplus Value," vol 26, p 296) Therefore, in a capitalist society, intellectual production and material production, mental labor and manual labor, are always in opposition to each other. To a certain extent, this kind of opposition reflects the antagonistic nature of class contradiction. However, this does not mean that the intellectual producers can be completely identified with the exploiting class. The reason is that, on the one hand an intellectual producer is different from the exploiting class which reaps where it has not sown because an intellectual producer possesses a definite productive function. On the other hand, although an intellectual producer depends on, serves and supports the exploiting class, many of them (including scientists, professors, writers, cultural workers and so on) are also exploited and oppressed. Therefore, between them and the exploiters, there are certain contradictions and opposition.

A socialist society is different from all the previous class societies founded on the capitalist system of private ownership. The establishment of the socialist system of public ownership of the means of production not only collectivized all the material wealth but also all the spiritual wealth which includes all the wonders of scientific technology and all the cultural and artistic achievements. Thus the outlook of intellectual production has been thoroughly transformed. The laborers of intellectual production are no longer employed by capital. Furthermore, the fruits of intellectual production are no longer the special means by which the capitalists exploit, oppress and rule over the laboring people. They became useful means for the all-round development of the moral, intellectual and physical aspects of the proletariat and the broad masses of people. They have become an important condition for social development. Therefore, the aspect of intellectual production yielding to the exploiting class and the aspect of its complete opposition to material production have all vanished. Of course, the differences between the two kinds of production still exist. However, upon the foundation of unity of their ultimate interest, the intellectual producer and the material producer will strive for the same goal of serving and advancing each other. In a socialist society, both material productive labor and intellectual productive labor serve the goals of developing socialist production and improving the lives of the people. Both kinds of labor are extremely useful to and needed by society. The intellectual producers have become the "mental laboring proletariat" (Engels: "To the student representatives of the international socialist university," "Collected Works of Marx and Engels," vol 22 p 487) as expected by Marx and Engels. As a part of the working class they have bound themselves with the laborers of material production into a production collective. They partake in the division of labor and coordinated operation of the socialist mode of production thus guaranteeing the continuous increase of socialist material and spiritual wealth. To a large extent this will satisfy the daily increasing material and spiritual needs of society.

Since the socialist mode of production has bestowed a new significance to the labor of intellectual production, we must guide everybody to look at socialist intellectual production from a new perspective. At the same time, we must also carry out a more in-depth analysis and investigation on the contents and characteristics of socialist intellectual production. The importance of intellectual production to socialist production should be elucidated so as to open up the path for the adequate and free development of socialist intellectual production. Only thus can it fully exert its positive and creative functions.

II

Since both intellectual production and material production belong to the category of production, they have their common points and common laws. Comrade Zhou Enlai once pointed out: "Certain laws of material production equally apply to intellectual production." (RENMING RIBAO 4 February 1972, p 2) The common points between intellectual production and material production are that both of them use human labor, in other words physical labor, in the process of production--both of them have to use and refill means of production and consumption material and both their products have utility and value and are component parts of social wealth. However, as compared to material production, intellectual production has its own characteristics.

The first characteristic of intellectual production is manifested in its forms. The forms of intellectual production are different from that of material production. Material products exist in definite material form and possess definite substance. As for intellectual products (results) a majority of them do not have any concrete and substantial form as do material products. Although knowledge, experiences, viewpoints, principles and so on might be captured in some kind of material forms such as books, documents, data, designs, charts, plans, pictures, music scores and films or might even be manifested in the outward form of material products such as the art of architecture manifested in the outward appearance of the building or artistic work manifested in the outward appearance of consumer products; the intellectual product is not the material thing itself. Of course, these materialized forms are very important. They preserve very valuable spiritual wealth for us which we can hand down from generation to generation. We must treasure it, protect it and preserve it well for our long term enjoyment.

The second characteristic of intellectual production is manifested in the nature of the labor of intellectual production. Intellectual products are mental products and the labor of intellectual production is mainly a kind of mental labor. It must be admitted that both intellectual production and material production are an integration of manual and mental labor. There is no such thing as a pure manual or mental laborer. In the course of labor in intellectual production such as the writer ploughing over his desk or the scientific workers laboring with their experiments, all of these require high concentration of energy and strenuous physical labor. In fact, every accomplishment in the realm of intellectual production is the crystallization of complicated mental labor and arduous physical labor. It may take

years of persistent, indomitable and assiduous efforts to accomplish this. Nevertheless, under the present level of the productive forces, material production is based primarily on manual labor while intellectual production is based primarily on mental labor. This is one of the differences between intellectual and material production. This gap between intellectual and material production will gradually diminish only when the productive forces are highly developed. Only then can more and more departments attain the automation of their production process and a tremendous uplifting of the production rate of labor so that manual labor in the realm of material production will diminish as mental labor increases. This kind of differences between intellectual and material productions will then become increasingly close together.

The third characteristic of intellectual production is manifested in the process of production and reproduction. Any kind of production process is undertaken under definite conditions and in definite forms of movement. With regard to material production, its processes of production and reproduction can be performed under the same conditions and in the same production process. That is to say, it can continuously and repeatedly produce the same kind of products in the process. The conditions for production are identical to the conditions of reproduction. Intellectual production is different. Generally speaking, the conditions and forms of movement by which it undertakes the process of direct production is different from that of the reproduction process. Take the research of a scientific principle for example. The scientific workers use the necessary instruments and facilities (such as pens, paper, typewriters, calculators, laboratories, research rooms, libraries and so on) and rely on methods of thinking and scientific concepts to experiment, calculate and theorize to find out the scientific laws and principles. From this they proceed to express their findings in definite material forms. This is the production process of intellectual production. School teachers use similar material conditions to carry out the study, research and development of scientific knowledge. They also engage in the processing and reorganization of materials to organize their own lecture notes. (These lecture notes provide a condition for the enlarged reproduction of existing scientific knowledge. It is also a new intellectual product by itself). As a step further, the teacher uses these lecture notes, together with the classroom or various electrical teaching aids and passes on scientific knowledge to the students through his teaching methods. This is the process of reproduction in intellectual production. Unlike the reproduction of material production, this kind of reproduction does not produce the same kind of product again. Rather, it passes the original intellectual product (knowledge) on to more people. This kind of reproduction results in the creation of a new generation with a certain level of scientific culture. From this it can be seen that the reproduction process of passing on and popularizing the knowledge of scientific culture is distinctly different from its original production process in terms of the conditions and forms of movement in the process. The time consumed and the degree of difficulty are also different. Marx pointed out: "The laboring time needed for the reproduction of science cannot be compared to the laboring time needed for the original production of science.

For instance, a student can learn the binomial principle in an hour." ("Collected Works of Marx and Engels," "Theories of Surplus Value," vol 26, p 377) This is determined by the characteristics of intellectual production.

Furthermore, even though intellectual products possess the same use value as material products; intellectual products have their specific characteristics. First, all useable products are for men's use. Material products will commonly wear away through use. Even durable goods will become useless due to deterioration from within as a result of prolonged use. However, many intellectual products will not wear away through use. On the contrary, they will be continuously preserved, expanded, uplifted and deepened. The use of intellectual products is the source of its enlarged reproduction. Of course, some intellectual products also wear off. This is manifested in the deterioration of artistic works and the dying out of the knowledge of handicraft skills which are obsolete. Second, due to the nature of intellectual production, the effects of some intellectual products are not immediately apparent in their production. It may take years before people begin to appreciate their effects. The effects of some intellectual products are very short lived and transient while others are persistent and prolonged. Third, both material products and intellectual products involve the problem of quality examination and the determination of their usefulness. The quality of material products can be strictly examined by fixing a definite standard. Thus, the level of their quality and the range of their uses can be determined. As for intellectual products, their quality can only be examined through social practices. In this way, their scientific value and artistic level, the extent of their effectiveness and the scope of their application can be determined. Furthermore, the ownership, the right of use and the transfer of power are clear-cut. Whereas for intellectual products, they are generally not so definite. A new invention or a new scientific hypothesis soon become the common property of mankind and acquire extensive application through propagation. Therefore, it commonly possesses a certain degree of public ownership. These special characteristics of intellectual products in terms of use value are really worth our attention and further investigation.

Then, have intellectual products any value? If so, what are their characteristics? It is our opinion that both intellectual products and material products are the crystallization of abstract human labor. Therefore, both have value. With regard to the value of intellectual products, Marx pointed out: "As far as immediate material production is concerned, the decision whether an object is to be produced or not, that is, the decision on the value of the object, will depend essentially on the labor time required for its production." "And even as far as intellectual production is concerned, must I not, if I proceed reasonably in other respects, consider the time necessary for the production of an intellectual work when I determine its scope, character and plan?" ("Collected Works of Marx and Engels," "The Holy Family," vol 2 p 62). Firstly, the value category of intellectual products is used to determine whether certain intellectual products should be produced. That is to say, after the product is produced, can its usefulness compensate for

expenses involved in its production. Secondly, the value category is used to solve the problem of exchange. That is, the problem of exchange between intellectual products and exchange between intellectual products and material products.

However, when compared with material products, intellectual products are nevertheless a kind of special products. It has its specific uses and forms of existence. When compared with material products, its value is more difficult to determine and measure. It is because first, processes of production and reproduction of intellectual production have special characteristics. Second, the labor of intellectual production is more complex and it has a greater propensity to carry on the labor of the predecessors or that of others. Third, the usefulness of intellectual products is not just manifested through its direct use. In most cases, it also manifests itself through material production or the effects of servicing activities. Although the cost and income of an invention or a monopoly on an item of scientific technology can be counted, its value is not yet fully manifested. As Marx pointed out: "The evaluation of a product of mental labor such as science, is always far behind its value." ("Collected Works of Marx and Engels," "Theories of Surplus Value," vol 26 p 377) Without a doubt the value of intellectual products is a very complicated and important theoretical problem. There are a whole series of problems of practical significance which need further investigations such as: What is the difference between the value of intellectual product and the value of material product in terms of the stipulation of quality and quantity; How to formulate (or compensate) and realize its value; Can the departments of intellectual production practice economic accounting; If so, how should it be done; How to measure the cost of production and expenses of intellectual production; How to evaluate the investment effects and economic effects of the intellectual production departments; How can intellectual production employ the least material conditions and laboring time but turn out the maximum direct and indirect results; How to popularize the results of intellectual production in the shortest time possible; and How to use the most advanced technological achievements (for instance, electronic calculators) to replace part of the human mental labor to increase the efficiency of the labor of the intellectual producer.

Finally, from the perspective of the form of labor organization, the labor of intellectual production also has its own characteristics when compared with the labor of material production. Under the condition of modern large-scale production, both material and intellectual productions rely on the extensive coordination of the laborers. Every product of material and intellectual production is the result of large-scale coordination. Due to the ever developing advances of modern science, scientific research is heading toward multidisciplinary and in-depth development. As the various disciplines are permeating each other, scientific research has a very strong synthetic and integrated nature. Certain results of intellectual production often represent the fruits of the efforts of tens or even hundreds of people. This is especially so with items covering a wide range such as investigation of the universe, laser research; research in high energy physics, ecology, epidemiology, forecasting earthquakes, research on climatology and so on. Collective efforts can reach the level unattainable by a few specialist scholars.

Therefore, the trend for the development of intellectual production is toward a gradual transition from individual research to organized collective research. However, since intellectual production is an activity which relies on personal creative labor, in the long run, it can still be carried out by the individual. It is proven by practice that many of the important new scientific inventions, new technological innovations and the establishment of important economic theories cannot be separated from the efforts of the extremely intelligent and positively creative individuals. Therefore, it is extremely pernicious to neglect or despise the effects of individual efforts. We should establish our collective research upon the foundation of arduous individual endeavors so that the two can be integrated organically and fully exert the functions of the two kinds of organizations for scientific research.

Investigation of the above characteristics of intellectual production will facilitate the improvement of the leadership of the intellectual production departments and improve their skills of leadership. Consequently, it leads to better appreciation and preservation of social spiritual wealth, increases the respect for the arduous labor of the intellectual laborers and secures for them the necessary working hours and living conditions. This will provide more positive support and guarantees for the dissemination and application of the results of intellectual production.

III

In the process of socialist reproduction, intellectual production and material production are closely related. They interact with each other, promote each other and transform each other. Intellectual production and material production are increasingly intertwined together. This is one of the important characteristics of socialist reproduction.

Material production is the foundation. Intellectual production is determined by material production. The formation and development of intellectual production depends on the development of material production. This is manifested by the fact that the direction of intellectual production is determined by the demands of the development of material production. The level of development of intellectual production is also conditioned by the level of the development of material production. For example, scientific experiments depends on material production. The subjects for investigation in scientific experiments are often derived from practical material production. The means of subsistence needed by the personnel for scientific experiments must be guaranteed by material production. The means for scientific experiments must also come from material production. The increase in the time needed for scientific experiments is determined by the shortening of time required by material production. Finally, the results of scientific experiments have to be further tested and popularized in the process of material production. Therefore, it is impossible to carry out scientific experiments without material production. It is the same with other intellectual production. Any kind of intellectual production requires a definite amount of human labor, material resources and capital. This is especially true with the development

of modern scientific technologies which require the most advanced equipment, facilities and materials. They require various modernized installations and bases for scientific experiments. They also require fully equipped libraries and technological information centers. Advanced tools, instruments and equipment will promote the further development of intellectual production.

However, intellectual production not only depends on material production and reflects its level of development and demands, it also has an important reaction on material production.

The reaction of intellectual production on material production is manifested in the intellectual products. Apart from the products which are used in intellectual production itself and those for servicing activities, intellectual products can be roughly divided into two categories. They are the intellectual products used in the production of material means and intellectual products used in the reproduction of labor.

The intellectual products used for the production of material means refers first to the research and application of the natural sciences. The development of the natural sciences has a very important effect on the uplifting of the labor productivity of the material production departments. Marx once pointed out: labor productivity is determined by various factors. It includes the level of scientific development and the extent such developments are applied in technology. He also pointed out: "The development of labor productivity...can be partially linked up with advances in the sphere of intellectual production. This is especially so with the advances of the natural sciences and their application. ("Capital," vol 3, p 97) History has proven that the development of labor productivity follows the unceasing advances of science and technology. The more developed a society the more this is true. It is especially true in the 20th century when production is greatly developed and labor productivity grows by leaps and bounds. This is mainly the result of applying new scientific technologies. Through solving the theoretical and technical problems involved in the process of production and through the continuous revolution and creation of the instruments of production, research in the natural sciences have increased the production of material products, improved their quality and greatly reduced their prices. Not only this, such research also constantly opens up new spheres and new paths for revolutionary changes in material production. New materials, new energies, new technologies, new methods and new products all start from research designs, trial production and experiments. Then the results lead to large-scale production and popularization. The important breakthroughs in the basic theories of modern science will lead to revolutionary leaps in man's knowledge about nature and his conquest of it. Such breakthroughs will also lead to tremendous strides in technology and have a profound effect on the development of material production. As a productive force, scientific technology is gradually revealing its tremendous impact. Contemporary natural sciences are being applied to production in unprecedented scale and speed. It has completely refashioned every sphere of

material production of society. Therefore, the realization of modernization in science and technology is the key to the four modernizations.

Secondly, intellectual products used for material production also refers to research in the social sciences. The development of the social sciences not only exercises a tremendous guiding effect on changes of the social method of production, but it also has a tremendous motivating influence on the development of material production. Lenin pointed out: "Like modern technology, modern economics...is also the condition of socialist production." ("Selected Works of Lenin," "What Is To Be Done?", vol 1, p 255) In social sciences, some disciplines specialize in the study of economics--the laws of the movements of material production. Some may specialize in the studies of relations of production or the laws of the development of productive forces, for instance, political economics, departmental economics economic management and so on. The in-depth development of the social sciences, especially the study of economics, further reveals the objective economic laws of the development of the socialist society. It is beneficial to the formation of the various forms of the socialist superstructure which are in conformity to the demands of the development of the socialist economic base. This will ascertain the various forms of socialist relations of production which are in conformity to the demands for the development of the productive forces. This will also establish the various economic management systems, codes and conventions, including the guiding principles, policies, plans and methods guiding economic development. These scientific forms and systems are extremely important to the development of material production. For instance, the speed of the development of material production and the impact of the capacity of the laborer are not only determined by the quantity of materialized labor and mobile labor invested in material production, but are also determined by the level and quality of economic management and organization. Production will be disrupted in case of any chaos in management or miscalculation in planning. Scientific economic and enterprise management which conforms to objective economic laws can ensure the correct and timely handling and adjustment of the various relations in the process of production. This will arouse the initiative of the laborer, insure the rational organization of the productive forces and promote the development of production. Therefore, if we want to realize the four modernization, we must also possess modernized management.

Furthermore, we also refer to the study and application of peripheral sciences bordering natural sciences and social sciences (such as the study of the organization of productive forces, technological economics, systematic engineering and so on.) They have an important influence on the development of social production.

The action of intellectual products on the reproduction of labor is mainly realized through the various forms of activities in the spheres of cultural education and literary arts. The popularization and uplifting of cultural education have an extremely important effect on the overall development of

the laborers' moral and intellectual and physical aspects. The modernization of socialism requires modernized laborers. Under the condition of the advance development of scientific technology, the productive laborer must possess a more advanced level of scientific culture and be rich in the experiences of production and advanced laboring skills. The development of scientific culture will produce laborers with higher levels of scientific culture. This is achieved through the function of reproduction in the process of intellectual production with the help of the various forms of education and training. These laborers can readily receive and grasp hold of new technologies and quickly become skilled workers and farmers and become the source of strength of a force imbued with scientific technology. With this labor force, we can better develop our country's technology upon the foundation of absorbing advanced technologies from abroad. This will accelerate the technological transformation of the various departments of our national economy, and lead to the establishment of a whole series of advanced industrial departments so as to realize the four modernizations and catch up with the most advanced level in the world within the shortest period of time. At the same time, the blooming of literary and artistic activities creates a rich and multifarious cultural life for the laborers. It satisfies their spiritual needs and encourages them to do their jobs well in material production. Furthermore, through the stories, exposure and constructive criticisms of these literary and artistic works, the laborers are educated in socialism. This will lead to a healthy development of their body and mind, and nurture new men possessing the quality of communist ethics. Raising the political consciousness of the laborers is also beneficial to promoting the development of material production.

Therefore, on the one hand, part of the products of intellectual production, especially the results of scientific technology, are applied to the material production process and directly transformed into tremendous material productive forces. On the other hand, part of the products of intellectual production, knowledge of scientific culture in particular, are passed on to the laborers of material production through the various means of education, propaganda and popularization. This is its process of reproduction. This elevates the cultural level and scientific knowledge of the laborers and improves their spiritual outlook. The integration of the two greatly raise the labor productivity in material production. Therefore, despite the fact that intellectual production is derived from material production and is founded on the latter; in terms of reaction, we can say that intellectual production is an important condition for the development of material production. It is one of the elements motivating the further development of material production.

With the raising of the labor productivity of society, more and more people and time are engaged in intellectual production. The reserve of spiritual wealth will become bigger and bigger. The growth of spiritual wealth directly indicates the level of development of the scientific culture of a country. Indirectly, it indicates a country's level of development of the social labor productivity. Since production is increasingly socialized and

science is continuously transformed into the productive forces, the direct productive function of intellectual production will grow increasingly. The relation between intellectual and material production will be increasingly closer. The efficiency of intellectual production will become higher and higher as spiritual wealth accumulates. From the perspective of the long-term future of social development, the forecasting, guiding and promoting effects that intellectual production has on material production will become ever greater.

Lin Biao and the gang of four are not only the culprits of the frenzied destruction of material production, they are also the culprits of the frenzied destruction of intellectual production. They tried their best to deny the necessity for the existence of the sphere of intellectual production. They tried to obliterate the motivating effects that intellectual production has on material production. They yelled that "One can still plough the land and eat without talking about science." They put forward the nonsense that: "The more knowledge one has the more reactionary he is" and "it is better to do without cultural laborers." Starting from their reactionary political goals and under the pretext of their "blackline dictatorship," they lashed at the sphere of intellectual production from various angles. They destroyed the scientific culture of our whole people. After the smashing of the gang of four by the party under the leadership of Comrade Hua Guofeng, we have adopted a series of forceful and effective measures to restore order from chaos and destroy the various evils root and branches. Our country's sphere of intellectual production has just welcomed its flowering spring. However, we must understand that we should not underestimate the serious damages brought by Lin Biao and the gang of four in the sphere of intellectual production.

Some people do not take intellectual production seriously enough. They have stressed its contradictions with material production in the allocation of human, material and financial resources. At the same time, they have disregarded the dialectical effects of their mutual promotion in the development of production. They even regard intellectual production as something dispensable. They do not give serious consideration to the investment needed for the development of scientific research, cultural education and literature and the arts. In short, they regard intellectual production as something with no direct connection to the development of material production. This kind of viewpoint is definitely erroneous. It is extremely harmful to the cause of the four modernizations.

In order to fulfill the general task of the new era as soon as possible and build our country into a strong and modernized socialist country within this century, we must fully recognize the importance of intellectual production. We must formulate guiding principles and policies in conformity to its characteristics and demands and adopt effective measures to strengthen the leadership of the intellectual departments. In the process of the integrated balancing of our national economy, we must guarantee the proportional development of the intellectual production departments to suit the needs of the rapid development of the national economy.

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[Article by Jiang Yiwei [5592 0001 5517]: "A Discussion of 'The View That the Enterprise Is the Fundamental Unit'--Tentative Remarks on the Nature of Enterprises Under Socialism and Their Relations With the State"]

[Text] I Presentation of the Problem

The 3d plenum of the 11th party congress sets the task of restructuring the economic system of our country. This is an important and complicated problem calling for urgent solution.

The prevailing economic system of our country is, in many respects, not compatible with the high-rate growth of the national economy and with the four modernizations. The time has come to fundamentally restructure it. But the problems involved in the restructure are widespread and linked to each other, and what happens to a small part may affect the whole. What is the most basic link to be grasped? In our opinion, we should begin with determining the nature of enterprises under socialism and, taking this as the criterion, study the organization and management of the national economy as a whole. Only then can we proceed from one point to the other, follow the logical course and find a dependable foundation and basis for restructuring the economic system. This is the fundamental idea underlying "the view that the enterprise is the fundamental unit."

Our present economic system is beset with problems. The most striking and fundamental problem is that as the basic unit of the socialist economy the enterprise is unable to show greater initiative and enthusiasm. This state of affairs has generally been recognized and has attracted much public attention. Enlarging the prescribed enterprise rights is now the universal cry. However, we believe that to reduce the problem to one of prescribed rights merely explains the phenomenon of the problem but does not go deep into its substance.

Since the founding of our republic, our country has restructured the economic system on many occasions, but this was mainly confined to dividing the

prescribed rights between the central and local authorities with consideration given only to how to bring the enthusiasm of the central authorities and the enthusiasm of local authorities into fuller play. Yet one problem that is more fundamental, namely, how to bring the enthusiasm of enterprises, that directly control the productive forces, and their laborers into play was overlooked. We now realize that the enthusiasm of the central authorities and the enthusiasm of the local authorities are not the only considerations and that the enthusiasm of the four sides--central authorities, local authorities, enterprises and laborers--must be brought into play. This is a great progress in our knowledge. But then the administrative organizations (central and local) and economic organizations (enterprises) are lumped together as if the center, localities and enterprises are three organizations of the same nature. Thus, along with considering the division of prescribed rights between the central and local authorities, consideration is given to appropriately enlarging the prescribed rights of enterprises.

We maintain that enterprises are economic organizations, not administrative organizations. For this reason, the concept of prescribed rights of the central and local authorities may not be applied to enterprises. Between them as socialist enterprises and the state there is a question of how to determine the rights and obligations. But the "rights" are definitely different from the "prescribed rights" between the higher and lower administrative levels. The rights and obligations of an enterprise depend on the nature of the enterprise itself. They are derived from the characteristic of the enterprise as an economic organizations. They are inherent characteristics demanded by the objective economic law and not characteristics that can be enlarged or diminished according to one's subjective will.

What should be the nature of organization of the enterprises under the socialist system? What is the essential difference between a socialist enterprise and a capitalist one? What are the relations between a socialist enterprise and the socialist state? What are the relations between enterprises and between enterprises and consumers? This series of fundamental questions should be answered in theory and practice before the rights and obligations of enterprises can be ultimately determined.

The momentous significance of determining the nature of enterprises also lies in the fact that enterprises directly embody the socialist system to a considerable degree. The most fundamental characteristics of the socialist system such as communal ownership, elimination of exploitation and distribution according to work, must be embodied by the economic cell, that is, the enterprise. It may be said that to "determine the nature" of the socialist enterprises is a fundamental question for determining the socialist system.

Yugoslavia's socialist economic system is suited to its specific conditions. Of course, it is not suited to our national conditions in every respect. But one point is worthy of our serious attention, that is, Yugoslavia first established her enterprise system of "workers' self-government" and, on this foundation, instituted its system of the national economy. Its system of

economic management has also gone through restructuring on many occasions but its principle of workers' self-government remains unchanged. Besides, its restructuring of the economic management system proceeded from the question of how to more satisfactorily meet the requirements of the workers' self-government system. Yugoslavia instituted the economic system with enterprises as the fundamental units. We believe that this course of action is theoretically logical and is proved effectual by practice. Its experience is worthy of being used for our reference.

Based on these ideas, this article attempts to investigate the nature and characteristics of the enterprises under the socialist system and the relations between the state and the enterprise. For the convenience of writing, industrial production enterprises are used as examples to illustrate the point. Actually, most of the questions and principles involved are applicable to other enterprises including commercial enterprises, agricultural enterprises (agricultural production teams are equivalent to agricultural enterprises).

II. The Enterprise Is the Basic Unit of the Modern Economy

Human beings are tool-making animals as well as social animals. Since the dawn of history the production activities of mankind have always been socialized labor to varying degrees. With the development of productive forces, socialized production has assumed different organizational forms. But so far, society, whatever its mode of production, invariably has its basic production units of a given form that are compatible with the level of productive forces. The productive forces in primitive society were low and extremely weak. Individuals, who were unable to struggle separately against the forces of nature and wild animals, had to work collectively and form clans of blood relations as the basic units of social production. Along with the development of agriculture and the improvement of the instruments of production, one family was able to cultivate a plot of land and acquired a higher labor productivity than the clan economy. Thus the clan economy disintegrated and its place was taken by private property with families as the basic production units. With the productive forces further developed, there arose the form of coercive collective slave labor organized by the slave-owners. Along with the collapse of the slave system there arose the feudal system with peasant families as the basic production units.

Although commodity production developed to some extent from the primitive society to the feudal society, the economy was still mainly a self-sufficient natural economy based on manual labor with a very low level of socialized labor. For this reason, families remained the basic units of social production for a long time. With highly developed commodity production and the adoption of modern machinery, the capitalist mode of production appeared, and it was then that the organizational form of social production underwent fundamental changes. The basic units of social production are no longer small families or workshops. They are modern enterprises formed by the capitalists who hire large numbers of workmen, use modern production equipment and organize highly socialized labor.

Along with the concentration and accumulation of capital, the scope and organizational form of enterprises keep developing from individual enterprises to capitalist company organizations of different forms. A big enterprise organized along the enterprise line may include a number of small enterprises. Whatever its forms, the enterprise is in the end the basic unit of the modern economy created by capitalism.

Under the capitalist system, the enterprise as the basic unit of social production undoubtedly has the basic features of capitalism. Capitalist private property determines that the means of production and all assets of the enterprise are owned by the capitalists, that production laborers are not masters of the means of production but wage laborers employed and exploited by the capitalists and that the enterprise has absolute independence with the content and development orientation of enterprise operations entirely decided by the capital owners, and with the results of operations, profits and losses directly determining the interests of the capitalists. However, if we set aside this basic feature determined by capitalist private property and examine the enterprise simply as the basic unit of social production, we will find that the enterprise also has the following distinct features:

1. The enterprise is an economic organization engaged in production. It draws together a group of production laborers (manual and mental laborers) to cooperate and work for a common production objective.
2. It engages itself in commodity production. Its products must meet given social needs.
3. The enterprise only performs a given task under division of labor to meet the extremely extensive and complicated social needs, and technically forms an independent production system according to the special features of specialization and division of labor.
4. It develops economic connections with other production units and consumers through exchange (in principle, exchanges of equal values).
5. It has independent economic interests and makes efforts to acquire its own interests.
6. On its own initiative it develops and augments its productive forces in order to acquire more and greater interests.
7. It is the basic unit of social economy as a whole. Objectively, it constitutes the foundation of socioeconomic forces. Social productive forces are the sum total of all productive forces of enterprises.

These distinctive features are, in the final analysis, products of a high degree of development of commodity production. Capitalist enterprises are formed by the several hundred years' history of the capitalist social economy. Individual enterprises have developed into company organizations

but these distinctive features of the basic economic units have not changed, indicating that they are compatible with the productive forces brought about by capitalism. The internal contradictions of capitalism and its crises are not engendered by the incompatibility between the productive forces and this economic organizational form known as enterprise, but by the anarchy of social production determined by capitalist private property.

The socialist system is a newly emerging social system. It eliminates private property and makes it possible to unify planning and management of social production so as to overcome the anarchy and blind nature of capitalist social production. This is the greatest superiority of the socialist system. But, does the unified socialist economy signify that the independence of enterprises should be done away with and that the national economy as a whole should be changed into an incomparably great economic whole and the whole state changed into a big "enterprise"? Obviously this can only be an "utopian" illusion. Yet, our prevailing economic system is actually working precisely according to this "utopian" illusion.

Our prevailing economic system formally takes enterprises as the basic units of social production. But enterprises lack independence. This is particularly true with the enterprises owned by the whole people. The means of production are owned by the whole people and enterprises are regarded as state enterprises. Hence everything is decided by the state. Tasks are set by the state, enterprise products are procured by the state and enterprise personnel are assigned by the higher level, equipment is allocated by the state, profits are turned over to the state and enterprise losses are assumed by the state. While certain regulations stipulate that enterprises should have definite independence and carry out independent business accounting, enterprises exist only as branch organizations of such a big, unique enterprise as the state. In the "big enterprise" composed of several tens of thousand enterprises owned by the whole people, the state council seems to be the general manager, the planning commission is the planning department of this big enterprise, the economic commission is the production department, the capital construction commission is the capital construction department, the goods and materials bureau is the supplies section, the labor bureau is the labor-capital section, and the functional departments are the various shops turning out products. To be sure, there are historical reasons for this system. But, theoretically, the Marxist theory of a planned economy for the socialist period is misinterpreted in the belief that a planned economy makes it imperative to incorporate the national economic activities into a unified organization, and the fundamental Marxist principle that the relations of production must be compatible with the objective requirements of developing the productive forces is forgotten. It is not considered whether at the historical stage of the transition from socialism to communism social production should still be composed of a number of independent basic units. Nor is it considered what form these basic units should assume and what are the differences and similarities between these basic units and the capitalist enterprises.

Judging from the existing socialist countries, the level of their productive forces has not exceeded that of the developed capitalist countries. The revolution in the socialist system has created more favorable conditions for freeing and developing the productive forces. Applying this superiority, we will find it possible to raise, within a comparatively short time, the level of productive forces above that of the developed capitalist countries. However, this must go through a historical process. In this process, the organizational form of production cannot break away from and exceed the present level of productive forces. For this reason, enterprises as the basic units of modern economy are compatible with the developed capitalist countries as well as with the socialist countries. To be sure, under the socialist system some distinctive features of enterprises connected with the capitalist private property should be transformed according to the socialist principle, while some basic features not connected with the capitalist private property may be carried forward.

Commodity production has reached a high degree of development in capitalist society. But the relations of commodity production are not peculiar to capitalism, and to carry out commodity production and exchange may not be regarded as practicing capitalism. Instead of doing away with commodity production, the socialist society should vigorously develop it. This point may be theoretically affirmed. This being the case, carrying forward, under the socialist system, certain distinctive features formed by commodity production as mentioned above will not run counter to the socialist principle; on the contrary, it will give a stronger impetus to the growth of the socialist economy.

With the above understanding we consider that the basic units of socialist production still consist of enterprises and independent ones at that. The system of a socialist economy can only be composed of these independent enterprises. Maintaining the independence of enterprises does not run counter to the socialist principle; on the contrary, only independence can fully realize the economic democracy of socialism. Only when enterprises are independent and the national economy is unified under the unified organization of the socialist countries can the socialist principle of democratic centralism be integrally embodied in the economic system. This is the first point of "the view that the enterprise is the fundamental unit."

III The Enterprise Must Be an Active Organism

The second point of "the view that the enterprise is the fundamental unit" is that the enterprise must be an active organism.

It would be of no new significance to say that the socialist economy should take the enterprise as the basic unit of production. Are not enterprises also taken as separate production units under the prevailing economic system? The question is: Is the national economic system, which is composed of these "units," like a huge structure made of bricks or like an organism composed of living cells? Bricks are not living matter and the structure made of

bricks has no life in itself. The cells of an organism are different since each cell is an active organism that has life in itself. It can breathe, exhale the old and inhale the new, grow, get strong and produce automatic reactions to external stimulus. Lower forms of life are composed of simple cells and higher forms are complex organisms composed of different cells. As the basic units of a modern economy, enterprises can not be inactive bricks but should be active, vital organisms. Since the strength of the national economy is the sum total of enterprise productivity, the strength of the national economy will depend not only on the number of enterprises it owns but more importantly on the vitality of each enterprise cell just as the strength or weakness of a man depends on the vitality of the cells of his body.

We often say that the role of existing enterprises should be brought into play. We also emphasize that the existing enterprises must carry out innovations, tap their potential and transform themselves so as to make greater contributions to the growth of the national economy. But there is one point that is not clearly understood: what should we mainly rely on for enlarging reproduction in the national economy. Is accumulation of funds to be mainly relied upon for building new enterprises and new bases? Is importance to be given simultaneously to the regeneration, transformation and expansion of existing enterprises? In other words, in bringing the role of existing enterprises into play, are enterprises mainly relied upon to tap their potential under existing conditions or should they be regarded as active organisms permitted and encouraged to multiply by themselves and enlarge reproduction by themselves? Practice over the past years has proved that under ordinary circumstances the same amount of investments used for the purpose of transforming and expanding an old enterprise will produce much greater economic effect than if it is used for building a new enterprise of the same type. If we regard our enterprises as organisms that can replace the old with the new by themselves, we should provide the enterprises with conditions for expanding and developing themselves. Even if we build new enterprises, we should as far as possible do things in the same manner as cell division. We should utilize the personnel, experience and material conditions of the previously existing enterprises. This will produce much better results than building the enterprise from scratch. The newborn baby comes from the body of the mother; this is a law of nature as well as the objective law of economic growth.

If an enterprise is regarded as an active organism, it must be made to breathe and to exhale the old and inhale the new. When proceeding with production, enterprises must have three elements: labor force, means of labor and object of labor. These three elements should be able to breathe the new and get rid of the old before the enterprises concerned can acquire activity. Enterprises should have the right to increase or decrease and the right to select these elements, namely, labor power, labor conditions and object of labor.

As far as the object of labor is concerned, in addition to accepting the tasks arranged by the state concerning the products and quantity to be turned

out, the enterprises concerned should be permitted to bring their subjective activity into play and undertake tasks outside the state plans. Moreover, the enterprises should, on their own initiative, forecast the development of market needs and enthusiastically develop new varieties or raise the quality level to meet the new needs.

Raw materials and semi-processed materials as objects of labor should be supplied by the state according to a plan. In addition, they should have their source in the market. The enterprises concerned should be permitted to place orders with other enterprises for goods that are outside the state plans. Moreover, the enterprises concerned should have the right to select the materials supplied by any entity and the right to increase or decrease the quantity of materials under given conditions.

As far as the means of labor are concerned, the enterprises concerned should have the right to independently expand and reconstruct their factory premises and production facilities, and the right to independently increase or decrease and select their equipment and tools.

As for labor power, the enterprises concerned should also have the right to select and the right to increase or decrease the number of staff and factory workers. They may select new workers for employment and dismiss the superfluous ones. The problem of livelihood for the dismissed workers should be safeguarded by the state in the form of social insurance and the responsibility for insuring their livelihood should not be assumed by the enterprises concerned.

In order to achieve better economic results, the enterprises concerned should also have the right to increase or decrease the funds determined by the three elements in value.

These rights are necessary because they are the objective requirements for the enterprises as active organisms and they are the necessary condition for bringing the initiative and active role of the enterprises into play in the movement of the national economy. In the final analysis they are determined by the nature of the enterprises, not something that may be increased or decreased according to one's subjective will.

To be sure, socialist enterprises have both rights and obligations including giving priority to the fulfillment of the production tasks set by the state, payment of taxes to the state according to regulations or turning in accumulations in other forms to the state. But under the premise of guaranteeing fulfillment of these obligations the enterprises concerned should have active conditions for independent operation and development.

IV Enterprises Should Have Independent Economic Interests

The third point of "the view that the enterprise is the fundamental unit" is that the enterprises should have independent economic interests.

The so-called independence of enterprises is expressed by their independent economic interests. As stated in the preceding section, enterprises must be given the active right to independent action in order to become active organisms. This refers to the conditions for taking independent action. If conditions exist, does it mean that the enterprises concerned will spontaneously "start moving"? Not necessarily. A problem of active inner dynamics remains to be solved. These dynamics come from the independent economic interests owned by the enterprises.

If economic interests are represented as the dynamics of enterprises, does this not mean negating "politics in command" and embarking on the wrong path of "economism"? This misgiving should no longer exist. The gang of four made material interests the forbidden area. They concocted an absurd theory that Marxism cares nothing about material interests and that one who cares about material interests is guilty of revisionism. The result was that many comrades dared not mention the word "interests." In fact, Marxism always holds that people wage a struggle for production and class struggle directly and indirectly for material interests. The proletarian revolution is precisely aimed at striving for the interests of the proletariat and the whole working people.

Enterprises are economic organizations engaged in production activities. Man always carries on economic activities to acquire definite economic interests, be it the interests of the laborers themselves or the interests of a few exploiters. Socialist enterprises are no exception.

The principle of material interests is the basic principle of Marxism. To promote only the noble spirit and not the material interests is not Marxism but a religious sermon to fool the people. The fundamental task of the communists lies in working for the interests of the proletariat and the broad masses of working people. However, the interests of the proletariat should be divided into whole interests and local interests and into long-range interests and immediate interests. The whole interests should be integrated with the local interests and the long-range interests with the immediate interests. They should not be split apart nor should one be stressed to the neglect of the other.

The socialist system has eliminated private property and exploitation of man by man. It makes the economic activities of the whole society serve the interests of the whole working people. Undoubtedly the production operations and activities of socialist enterprises—basic units of the socialist economy—are in the interests of the whole working people. We call them state interests or social interests. But, do enterprises work only for the interests of the state and not for their own interests or the interests of the laborers connected with them? At the historical stage of the transition from socialism to communism, to expect the working people to be "selfless" in their economic life under the present material and mental conditions is only a fantasy exceeding realistic historical conditions.

At the historical stage of socialism, a commodity economy cannot be done away with. It must be vigorously developed before the material foundation of socialism can be greatly developed. Since commodity production must be developed, the law of value must be fully utilized and, moreover, the principle of distribution according to work must be carried out in distributing consumer goods among the individuals. If these principles are affirmative, the enterprises as the basic units of commodity production are bound to appear as commodity producers and to have the independent interests of commodity producers. From the standpoint of the whole society, to link the personal income of laborers to the magnitude of contributions made by the enterprise collectively to society would be a more integral principle of distribution according to work within the enterprises.

To link the individual interests of the whole body of enterprise workers to the results of enterprise operations is bound to prompt the whole body of workers to interest themselves in the economic results of enterprise operations from the standpoint of material interests. It should be noted that good results of enterprise operations are advantageous not only to the enterprise workers but also to the whole body of working people represented by the state. Hence, this concern for material interests is a concern for both the state interests and the individual interests and is in line with the principle of integrating the whole interests with the individual interests under the socialist system. Here the question of individualist and capitalist road do not enter in. To be sure, at no time may communist ideological education for the masses be given up under the socialist system. But such education is by no means aimed at letting the working people dedicate themselves like martyrs to the "realm of reason" and "eternal justice and fairness." It is aimed at making the working people integrate the long-range interests with the immediate interests and, when contradictions arise between the long-range interests and the immediate interests, subordinate the individual interests to the whole interests and the immediate interests to the long-range interests. By no means does the education cultivate only abstract, empty morality and not economic interests.

Working for economic interests is the dynamic of capitalist enterprises as well as the dynamic of socialist enterprises. The only difference is that the interests acquired by the capitalist enterprises are mainly owned by the capitalists while the socialist enterprises are ultimately owned by the working people directly or indirectly. The difference lies in who owns the interests and not in working or not working for the interests.

Rights and obligations are a unity of opposites. Striving for economic interests virtually determines the economic responsibility. Enterprises possess independent economic interests and link them to the individual interests of their workers, which means that the workers assume joint responsibility for the economic effects of enterprise operations. They are required to "assume joint responsibility for profits and losses." This sense of joint responsibility for "profits and losses" will only intensify the collectivist thinking among the working masses and will not lend itself to the growth of

individualism. On the contrary, if the individual interests of workers are not linked to the enterprise interests and if distribution according to work is simply carried out among the individuals, it is possible that an individualist tendency will be engendered.

Now everybody agrees to one principle: The economy should be managed in economic ways or in accordance with the objective economic law. In what economic ways should the economy be managed? Managing the economy in economic ways means bringing the role of the law of value into full play in economic activities, and using economic means to control the results of economic activities. But, before putting into practice this method which is in line with the objective economic law, enterprises must possess independent economic interests and enterprise workers must assume joint economic responsibility for the economic effects of enterprise operations. Otherwise, managing the economy in economic ways will be idle talk. For example, the contract system between enterprises, under which penalties are stipulated to be paid by the party that fails to fulfill the contract, should be regarded as one of managing the economy in economic ways. If an enterprise has no independent economic interests and if its profits and losses are not linked to the individual interests of its workers, what role can the penalties play? They play no role except that one enterprise, having paid the penalties, increases its production costs and turns over less profits to the state while the other enterprise, having received payment of penalties, decreases its production costs and turns over more profits to the state. This means that the state simply takes money from one pocket and puts it into the other. How much control can it exercise? This is also true of other things like making compensation use of fixed assets and making loans and paying interest on revolving funds. Thus the fundamental premise of managing the economy in economic ways is that enterprises must have independent economic interests and that the enterprise workers must "assume responsibility for enterprise profits and losses." This must be insured before real effects can be produced.

V The Relations Between the State and Enterprises Under the Socialist System

The socialist state has two functions: The political function of carrying out the task of the dictatorship of the proletariat and the economic function of organizing and managing the socialist national economy. Along with the development of the socialist society and the gradual transition to communism, there is no doubt that performing the economic function of the state will increasingly become its main task. The question now is: In what ways should the state manage the economy?

Owing to social division of labor, a modern economy will inevitably be composed of numerous basic economic units large and small. The state may regard the whole national economy as a "big enterprise" and take the numerous economic units as branch organizations of this "big enterprise" and directly control their activities. Or else, the state may regard the whole national economy as an economic union composed of numerous independent basic units and exercise centralized, unified leadership on the basis of a high degree

of democracy. The latter approach is the central idea underlying "the view that the enterprise is the fundamental unit."

Socialism has eliminated private ownership of the means of production, making it possible to organize social production according to plan, overcome anarchy of capitalist blind competition and insure a proportional and high growth rate of the national economy under the unified leadership of the state. This is an important manifestation of the superiority of the socialist system. With the means of production coming under communal ownership, the isolation of laborers from the means of production is done away with and the working masses become masters of the means of production. They will more consciously work hard for their own interests as well as for the common interests of the whole body of working people. An important condition for bringing this superiority into play is to apply socialist democracy to the economy, practice a high degree of socialist democracy and bring about a more lively and active state of economic growth than capitalism. The more comprehensive manifestations of the superiority of socialism are to let every basic economic unit have full independence, unite on the principle of democratic centralism and accept the unified leadership of the state so as to insure that the independence of enterprises is combined with the unity of the state, democracy is integrated with centralization and planning is linked to freedom.

A great defect in the prevailing economic system is the overcentralization of power. Its cause lies not in inappropriate division of prescribed rights among the central authorities, local authorities and enterprises but in managing the national economy as a "big enterprise." Many comrades now suggest that the state should use economic means to manage enterprises and should use less or no administrative means for the purpose. What are administrative means? How is it that administrative means are simply used to manage enterprises? These questions have not been further analyzed. Actually, this phenomenon is the inevitable result of managing the national economy as a "big enterprise."

To be more exact, administrative means are equivalent to "direct command." It means issuing directives to direct the economic activities of subordinate units. Using the economic means is influencing and controlling the activities of the economic units with the consequences of economic advantages and disadvantages. The former is the managerial means applied within an independent economic body; the latter is the managerial means applied to an independent economic body from outside. This is also the case within a factory. If a factory is taken as an accounting unit, administrative means are generally used within the factory: the factory management gives direct commands to shops and the shops give direct commands to teams and groups. We cannot say that there is anything wrong with this direct command. If this factory takes shops as independent accounting units and makes the shops have definite independent economic interests, such as economic rewards and penalties in connection with the fulfillment of certain technical and economic targets, then the factory management may change the administrative means of giving direct commands into the economic means in managing its shops. The factory management may do so because it regards its shops as independent

economic bodies. Thus, only when the subject of management exists as an independent economic body will the managerial mode of using the economic means be engendered. Otherwise, administrative means are necessarily used. Since the prevailing economic system takes the whole national economy as a "big enterprise," economically, a system of centralized receipts and expenditures is put into practice. All the subordinate enterprises are branch organizations directly under this "big enterprise," hence using administrative means to give direct commands to these branch organizations is the logical course of action.

Now that we regard enterprises as the basic economic units with independent economic interests, what are the relations between the state and the enterprises?

The functions of the socialist state have two aspects--political and economic. Hence there are two kinds of relations--political and economic--between the state and the enterprises. As far as their economic relations are concerned, the state should not regard the enterprise as its administrative subordinates (certain departments like the munitions industry and the communications and transport system, that must be directly under the jurisdiction of the state are exceptions), and the relations between the state and the enterprises can only be a kind of economic relations. These relations are essentially manifestations of the relations between all the laborers of society and the local laborers of enterprises. In terms of economic interests, the state represents the whole and long-range interests of all the laborers while the enterprises represent the local and immediate interests of local laborers. Of course, this is only in the relative sense. It does not mean at all that the state may be indifferent to the local and immediate interests of enterprises or that the enterprise may disregard the whole and long-range interests. Being identical, the whole interests and local interests are a unity of opposites. But the two aspects of the contradiction necessarily represent different sides. The state and the enterprises represent different sides. The state represents the side of the leader while the enterprises represent the side of the led. It is only a manifestation of subordinating the local interests to the whole interests.

The economic relations between the state and the enterprises are relations of interests. This being so, the state must use economic means to lead and manage the enterprises. The economic means manifest themselves in diversified forms, mainly the following:

1. Formulating economic policies to direct and restrain the enterprises' economic activities so that the enterprises will not deviate from the orbit of socialism. Under the socialist system, enterprises have the obligation to observe and strictly carry out the guiding principles and policies formulated by the state. One fundamental task of enterprise party organizations is to supervise and insure implementation of various economic policies by the enterprises and to uphold the socialist nature of enterprises.

2. Drawing up economic plans to direct the growth of enterprise economy. The state should mainly grasp long-range planning and regional economic planning. Annual economic plans should be drawn up from the bottom upwards and the enthusiasm and initiative of the enterprises concerned should be brought into full play. At the same time, the principle of "large-scale planning, small-scale freedom" should be observed, and the guiding principle of combining planned regulating and market regulating with emphasis on planned regulating should be adopted with regard to national economic activities. The existence of a given market economy should be permitted to meet the objective need of enterprises to carry on commodity production.

3. Taking economic means to regulate and control enterprises' economic activities. Make full use of various economic levers like taxation, credit loan, interest, reward and penalty, price, state order for goods, subsidies for policy purposes to regulate the contradictions between the state and the enterprises and between production and consumption to guide the development orientation of enterprises and insure the realization of the state economic plans.

4. Putting economic legislation into practice. Protect the legitimate rights and interests of enterprises and workers by laws. Supervise the enterprise to insure implementation of state policies and decrees. Handle the economic disputes between the state and the enterprises and among various enterprises.

Legal relations reflect economic relations. Thus, economic legislation is essentially also an economic means. First of all, the state should, through the formulation of "enterprise law," explicitly define the nature of enterprises and the basic rights and obligations of enterprises vis-a-vis the state and other enterprises and also the basic rights and obligations of the workers within an enterprise.

Enterprises are economic bodies with independent interests. Legally, they have the status of a "corporate person." The system of registering enterprises should be put into practice. New enterprises must be strictly examined and approved before they are established. Once they are registered, they acquire the characteristics of a "corporate person" and have the rights and obligations stipulated in the "enterprise law." This is another important means by which the state controls the orientation of economic growth. The prevailing economic system exercises a rigid control over the establishment of enterprises. Under the present system, localities or communes may establish enterprises as they wish. This anarchist phenomenon is contrary to the socialist principle and should be stopped.

IV Brief Conclusion

To sum up, the basic ideas underlying "the view that the enterprise is the fundamental unit" may be generalized into the following points:

First, due to the social division of labor and the objective nature of a commodity economy, the socialist economy is still necessarily composed of modern enterprises as the basic economic units.

Second, the enterprises under the socialist system should be active organisms and should possess independent economic interests. The difference between them and the capitalist enterprises lies only in different property and different ownership of interests.

Third, the economic democracy of socialism is an important aspect of the superiority of the socialist system. This democracy is manifested in two respects: On the one hand, the national economy is composed of independent enterprises. On the other, enterprises are directly managed by the whole body of staff and factory workers led by the communist party.

Fourth, the relations between the socialist state and the enterprises are economic relations. The state should mainly use economic means as ways of management to lead the enterprises.

Fifth, if enterprises are used as fundamental units to build the socialist economic system, it is imperative to meet the objective requirement of taking enterprises as economic bodies that have independent economic interests and can achieve self-movement and self-development. Bringing the active role of enterprises into play should be taken as the starting point of instituting the system.

The methods adopted on the basis of these principles for instituting the economic system may be ceaselessly explored, improved and perfected in the course of practice so that a Chinese-style socialist economy suited to our national conditions may be gradually formed.

Some people may think that to care for the "fundamental unit" and "the interests of the fundamental unit" will lead to the spread of "departmentalism." We say that "departmentalism" must be resolutely opposed and prevented but that the objective being of the "fundamental unit" cannot be denied because of this, just as the existence of individuals and individual interests cannot be denied because of opposition to "individualism." The tendency towards "departmentalism" may appear in practice. If it does appear, we need not make a great fuss about it. It may be guided according to circumstances and rectified. Fire and water may form disasters or produce benefits. We may not give up food for fear of choking. We cannot wipe out water power and fire power as the kinetic energy just because we fear flood and fire disasters. Anyone with common sense can readily understand this truth.

NATIONAL ECONOMIC POLICY

PRC ECONOMIC JOURNAL LOOKS AT THE QUESTION OF READJUSTMENT

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[Article by Gui Shirung [2710 0013 6978]: "Do a Good Job of Readjustment for a More Reliable, Faster Advancement of the Four Modernizations"]

[Text] After shifting the focus of party and national work to socialist modernizations, in the economic work for the coming 3 years the party and government have decided to put the stress on readjustment, restructuring, rectification and improvement and to bring the national economy into a protracted, proportionate and high-rate of development. It is an important policy decision based on reality. It will certainly bring about a more reliable and faster advancement of the four modernizations.

Here we will mainly look at the question of readjusting the proportionate relations.

I

Speaking of readjustment one will naturally associate it with the economic readjustment carried out in the early 1960's and with the deteriorating economic situation prevailing at that time. Now that we are carrying out readjustment, does it mean that the present economic situation is not good?

The answer is no. Over the past 2 years and more since the gang of four were smashed, the economic situation has developed rapidly and satisfactorily. We have quickly reversed the serious state of production stagnation and retrogression and promoted the rapid restoration and development of the national economy. In 1978, a year of great drought, a rich agricultural harvest was reaped. Grain output increased by big margins and reached a new level. Cotton, oil-bearing materials, sugar-bearing materials and other industrial crops increased in an all-round way. Sideline occupations gained a faster development in the rural areas. The development rate of industrial production was maintained at more than 13 percent for 2 years in succession. Output of major industrial products like coal, petroleum, electric power and steel and the volume of railway freight made big breakthroughs and set

new records. The quality of many products improved and consumption of materials and goods and production costs dropped. The introduction of advanced technology and the imports of equipment were in full swing and foreign trade was developed at a comparatively great rate. Revenue increased by big margins and revenue and expenditures were balanced with a little surplus. On the foundation of industrial and agricultural development, the living condition of urban and rural people improved. All this shows that the line carried out by our party over the past 2 years and more is correct, that the guiding principles, policies and measures adopted are forceful and that the work of all trades and on all fronts is very effective.

Since it is so, why should readjustment be carried out? The national economy is really afflicted with dislocation and this state of affairs is hindering us from advancing better and faster. Viewed from the relations between industry and agriculture, agriculture is left behind and the growth of major agricultural and subsidiary products is not compatible with the increase of population and the need of improving people's living conditions and developing production and construction. Between light and heavy industries, the development of light industry is slow and some light industrial products are in short supply and unable to meet the need of export. There is a great shortage of fuel; due to shortages of coal and electricity many enterprises cannot give full play to their production capacity. In the distribution of the national income, the proportion of accumulation is too high; the relationship between productive accumulation and nonproductive accumulation is not harmonized and a number of problems concerning the people's livelihood remain to be urgently solved. The imbalance between these important proportions was, fundamentally speaking, caused by the protracted interference and disruptive activities of Lin Biao and the gang of four. The ultraleftist line pushed by them brought great disasters to the national economy. As manifestations of this, normal production and work orders were disturbed, leading to sharp decline in production, and the proportionate relations in the national economy were disrupted with the result that some major proportions were in a serious state of imbalance. In the process of readjusting and restoring the economy in the first 2 years, the party and government took quite a few measures to readjust the proportionate relations. For example, care was taken to speed up the development of agriculture and strengthen production and construction of the power industry, and wages were increased for a considerable number of office and factory workers. As a result, the imbalance between certain proportions was mitigated. But it was not possible to make a fundamental change in the imbalance in 2 years. Meanwhile, at a time when a number of enterprises stopped operating while waiting for materials and production was not restored, there was a serious imbalance, it was not fully understood and deep and comprehensive measures could not be taken to correct it. As a result, shortcomings were inevitably found in our work. Along with the rapid restoration and development of the national economy, some imbalance that was covered up has been brought to light. At the same time, new circumstances have arisen and new problems have cropped up in the process of our advance. It is now very clear that if we do not make up our mind to concentrate time and energy to have the proportionate relations roughly readjusted, it will be difficult to gain a high rate of development if we bungle, imbalance will be aggravated and

economic development will be hindered. Only proportionate relations can insure a high rate of development; only readjustment of the proportions can insure a sustained high rate. Therefore, readjustment is the objective need of developing the economy and is the logical development of the guiding principle and policy of putting the economy in order in the first 2 years.

It will be seen from this analysis that the readjustment is now being carried out consciously to counter the problems of the national economy and in an excellent situation in which the economy is rapidly being restored and developed. Unlike the 1960's, the present readjustment is being carried out amid advances: readjusting on the one hand and advancing on the other. Concerning the readjustment begun in 1961, to a considerable extent we were compelled to carry it out because the contradiction of disproportion had reached an extremely sharp stage. Under the conditions prevailing at that time, the method of readjustment was to go back and then forward. Industrial production as a whole and the scale of capital construction were cut down by big margins and considerable losses were incurred. Apart from some isolated shortcomings in our specific work, this method of readjustment was entirely necessary. Its correctness was subsequently borne out by the rapid restoration and development of the national economy. At present, agricultural conditions are much better than those prevailing at that time and in comparison the industrial foundation is also strong. We are now carrying out readjustment in the process of which the national economy is rising steadily. Therefore, the question of going back in everything does not exist now. To readjust the proportionate relations, some localities will go up and advance and others will come down and go back. But they come down for the sake of going up and go back for the sake of advancing. The national economy as a whole is not marking time or retrograding, but is going forward steadily at a definite rate. Therefore, readjustment is not a pause or interruption of the process of the four modernizations; it is the necessary step taken to advance the four modernizations in a down-to-earth manner. The view that readjustment means retreating in everything and even cutting down the production of goods that are in short supply and that readjustment means stopping the modernization program is taken by those who are restrained by the confines of history and who mechanically understand the question of readjustment. It is an unbalanced and incorrect view.

Truthfully recognizing and seriously looking at the question of imbalance and taking measures promptly to carry out readjustment are expressions of doing economic work according to the objective laws and improving one's foresight and scientific approach. Both the theory of Marxism and the practice of socialist construction tell us that under socialist conditions it is necessary to do various kinds of work regularly to readjust the proportionate relations. The development of the national economy demands that definite proportions be maintained but for various reasons certain disproportions will necessarily appear in the process of developing the national economy. Hence the planning work should consist of readjusting according to the requirements of the objective laws and the imbalances that appears from time to time, organizing a new balance and promoting coordinated development of the economy. Lenin said that in reality maintaining a regular and conscious balance means planning. Comrade Mao Zedong said that economic

planning was carried out in our country once a year for the purpose of achieving a balance between production and need but in fact this balance was partially upset each month and each season, making it necessary to carry out partial readjustment. Here Comrade Mao Zedong was speaking of the partial readjustment that must be carried out regularly in general circumstances. Such readjustment is small-scale and short-term. Under the socialist system, large imbalances should be avoided by every means and can be avoided if a good job is done. But once, for various reasons, this imbalance appears, we must be good at discovering it promptly and facing up to it and quickly take corresponding measures to put it in order. Otherwise, in the absence of its spontaneous regulation by the law of value and with the planned regulation failing to reflect it promptly, the losses incurred will be even heavier. Therefore, readjustment carried out to meet the actual need is a good thing. It is a sign that blindness is being avoided and consciousness is being enhanced in economic work.

II

The task of readjustment is roughly to restore the proportionate relations that are imbalanced, and to make the national economy develop in comparative proportions. Currently, taking the economic situation as a whole, the main proportionate relations needing readjustment are: 1) The relations among agriculture, light industry and heavy industry, and the proportionate relations closely connected with them, that is those between consumption and accumulations. 2) The relations between the fuel power industry and other departments. To be more explicit, the problem of increasing production and saving energy effectively must be satisfactorily solved. Let us mainly discuss the question of readjusting the relations among agriculture, light industry and heavy industry.

The relations among agriculture, light industry and heavy industry reflect, to a considerable extent, the most fundamental proportions of social production--the proportionate relations between category I and category II. In our country, correctly handling the relations among agriculture, light industry and heavy industry is of particularly momentous significance. Ours is a large country with a large population and a weak economic foundation. Through 30 years of efforts, industrial and agricultural production and various undertakings have greatly developed but, on the whole, the present economic level of our country is still very backward and the people's living standard is comparatively low. Proceeding from these circumstances, we must vigorously develop heavy industry to arm various branches of the national economy including agriculture with more and increasingly better technical equipment. Otherwise, it will be impossible to shift gradually the national economy to the foundation of modern technology within this century. However, proceeding from the basic conditions of our country, we must place agriculture in the leading position while speeding up the development of light industry. Otherwise, it will be impossible for us to solve satisfactorily the problem of employment, the problem of improving the people's livelihood, the problem of funds and the problem of a market

for heavy industry. If these important problems in the national economy are not satisfactorily solved the development of heavy industry will lose a strong foundation.

On the one hand, we must give priority to the development of heavy industry. On the other, we must place the development of agriculture in the leading position and speed up the development of light industry. The two aspects of the unity of opposites engendered under the realistic economic conditions of our country must be dialectically recognized and correctly handled. It is a fundamental question bearing on the whole economic situation and on the consolidation of political power. More than 20 years ago, Comrade Mao Zedong discussed this question of China's road to industrialization and put forward his well-known thesis: Speed up the development of heavy industry by achieving a greater development of agriculture and light industry. This is of extremely profound significance. Now, if we want to proceed from our actual conditions and speed up the process of the four modernizations, we must still handle the relations among agriculture, light industry and heavy industry correctly.

The question at the core is how to speed up development of agriculture. Over the past 20 years and more, despite the fact that we developed agriculture with great success, for a long time the growth of agricultural production failed, for various reasons, to exceed the population increase to a considerable extent. Therefore, the average per-capita output of agricultural and subsidiary products did not show a great increase; production showed no increase in some cases and even dropped in others. Yet, such an agricultural foundation bore the burden of a much greater urban population than in the past and the burden of capital construction which increased several times compared with the past. Because of this, a great contradiction existed between the supply of grain, agricultural raw materials and nonstaple foods and the need to insure the people's livelihood and industrial development. The backward state of agriculture is manifested not only by its weak capacity for bearing the burden but also by its inadequate capacity for absorption. The level of accumulation is low and quite a few communes, brigades and production teams cannot afford chemical fertilizers, chemical pesticides and agricultural machinery. Some communes, brigades and production teams which bought and used these things, increased their production but not their income. They did not achieve any economic benefits. There are various reasons for this state of affairs but it shows that the role of agriculture as the market for industries in general and heavy industry in particular falls behind the demand of industrial development. This situation hinders improvements in the life of urban and rural people and makes the foundation insecure for industrial development. Therein lies the crux of the problem in the present economic life. For this reason, the primary content of readjustment to be carried out this time is concentrating the main energy on agriculture to insure that in the coming few years agriculture will gain an all-round, fast development and that the production of grain and other agricultural and subsidiary products will show a marked increase in terms of both total output and per-capita output. Bringing this about will be comparatively

compatible with the demand for improving the people's livelihood and for industrial development.

In order to speed up development of agriculture, the first and most fundamental thing in line with the spirit of the two documents passed at the third plenum on the question of agriculture, is to carry on with reliable implementation of the party's correct policies for the rural areas. Unless this is done, it will be impossible to give play to the superiority of the socialist collective economy and bring the enthusiasm of the peasants into full play. In that case, other measures will lack the necessary basis and will not achieve the desired results. Our agricultural production is still mainly carried out with manual labor. Proceeding from this state of affairs, we should accelerate the process of agrotechnical transformation and bring the favorable conditions of manpower and resources into full play and enlarge labor accumulation. Improving the operation and management of agriculture, carefully organizing labor, undertaking farm land capital construction with greater effects, practicing scientific farming and developing diversified undertakings according to the requirements of the objective economic laws are important factors that must not be overlooked in developing agricultural production.

In order to speed up the development of agriculture, it is also necessary to attach greater importance to the rational utilization of the natural conditions. A striking feature of agricultural production is that the process of production is indivisibly integrated with the natural process. We should bring man's subjective activity into play and, under the premise of observing and applying the natural laws, transform nature to meet our demands. At the same time, we should know how to adapt ourselves to the demands of nature, make rational use of various natural conditions and bring the role of natural forces into full play so that with the same amount of funds and labor we can achieve greater economic results. To do so, we must uphold the guiding principle of taking grain as the key link, gaining all-round development in a manner suited to local conditions and concentrating forces appropriately, insure the rational division of agricultural areas and the rational disposition for agriculture, enlarge the social division of labor and develop the commodity economy to elevate the social productive forces of agriculture to a considerable extent.

In order to speed up the development of agriculture, it is necessary to increase the funds, materials and goods used for agriculture and strengthen industrial aid for agriculture. The party and government have decided to raise the purchasing prices of agricultural and subsidiary products by big margins and to decrease and waive rural tax revenue while appropriately increasing the proportion of agricultural investments. These are strategic measures for developing agriculture. By so doing the peasants will be able to increase their production and income while their enthusiasm for production development will be enhanced by their material interests. The level of accumulation by communes, brigades and production teams will be raised simultaneously with the increase of state investments. The amount of funds

accumulated will be linked to the way the communes, brigades and production teams carry out their operations. This will increase their economic responsibility and expand the material foundation of their ownership and right of self-determination. Based on the conditions in our country, within a definite period agriculture will have to provide part of its accumulated funds (including agricultural taxes, profits and revenue realized by the industrial department through price redistributions) for developing industry. But there must be a definite limit to the amount of such accumulated funds: 1) The consumer level of the peasants must be gradually raised on the basis of industrial development. 2) Agriculture must be able to maintain the necessary level of accumulation to make the growth of agriculture meet the need of industrial development. To exceed this limit will encroach upon the just economic interests of the peasants and weaken the capacity of agriculture to enlarge reproduction. This situation will be detrimental to the development of agriculture and ultimately detrimental to the development of industry. Along with its growth, industry should increasingly and completely rely on its own accumulations to enlarge reproduction and as far as possible should set aside part of its accumulated funds to aid agriculture and help agriculture achieve modernization. We must achieve this objective with our utmost efforts as quickly as possible. At the same time, part of the funds accumulated by agriculture should be concentrated and used by the state for building large water conservancy projects and other necessary key projects according to overall plans and arrangements. Unless this is done, it will be impossible to achieve the modernization of agriculture. But the amount of these funds should presuppose the guarantee of the necessary accumulation of funds for communes, brigades and production teams. Otherwise, the collective ownership in agriculture cannot be well protected and respected and the enthusiasm of the peasant masses cannot be brought into full play in developing agriculture in a manner suited to local conditions. By raising the purchasing prices of agricultural and subsidiary products, decreasing and waiving rural tax revenues and increasing agricultural investments this time, an extremely important readjustment of the above-mentioned economic relations will be carried out. This has played and will continue to play an important part in promoting the development of agriculture and the national economy as a whole.

With the development of agriculture, more raw materials may be provided and conditions created for speeding up the development of light industry. At the same time, more and better light industrial products must be exchanged for the increasing agricultural and subsidiary products. The organic composition of light industry is lower than that of heavy industry. Consequently, the same amount of funds used for developing light industry will provide more jobs. The construction cycle for light industry is short, production turnover is fast and the capital-profit ratio is comparatively high. Therefore, the development of light industry will play an important part in rapidly building up funds. In our country with a large population and a weak economic foundation, the development of light industry is a link that must be tightly grasped in correctly handling the relationship between the people's livelihood and production and construction. An important

feature of the readjustment now being carried out is to exert efforts to develop light industry at a greater rate. Within a certain period, the development rate of light industry should catch up with or slightly exceed that of heavy industry so that the increase of major light industrial products will be compatible with the increase of purchasing power at home and exports will be greatly increased.

In order to achieve this objective, it is necessary, first of all, to tap the production potentials of existing enterprises, increase the output of saleable products, improve the color and design of products, improve the quality and vigorously cut down consumption of materials and goods. Fuel power and raw and processed materials should be guaranteed for light industry in the first place and should be promptly supplied according to a rational quota of consumption and in a timely manner. If there are shortages of fuel, we should insure light industrial production even at the expense of other trades. Along with this, we should appropriately increase the proportion of investments in light industry and enlarge its production capacity according to plan. The department of heavy industry should make use of its surplus production capacity and utilize its leftover materials and stocks on hand to produce more manufactured goods for daily use (goods whose technological process is about the same and whose variety is exactly what is demanded).

In order to speed up the development of agriculture and light industry, it is necessary to increase the financial and material resources used for agricultural purposes. This would mean relatively decreasing the financial and material resources for heavy industry. Yet the aid of heavy industry is indispensable to the development of agriculture and light industry. Hence the development of heavy industry is necessary. This is a contradiction. As far as the development of heavy industry is concerned, three problems must be solved to handle this contradiction.

First, centering on the realistic need of agricultural and light industrial development (of course, in addition to the need of national defense and other needs), the development orientation and scale of heavy industry must be arranged according to the possibility of financial and material resources. The inner structure of heavy industry should be adapted to the needs of speeding up the development of agriculture and light industry. We should gradually increase the proportion of the production department that turns out the means of agricultural production which are suited to our national conditions and are capable of elevating agricultural production and increase the proportion of production serving light industry and the proportion of articles for everyday use that directly satisfy the needs of the people's livelihood.

Second, utmost efforts must be exerted to improve the effects of investments. The stress of construction must be laid on tapping the potentials, making technical innovations and transforming the existing enterprises. The introduction of advanced technology from foreign countries should be integrated,

as far as possible, with transformation of existing enterprises. We should cut down the items under construction, concentrate forces to fight a single battle, shorten the construction cycle and cut down building costs in order to use the same amount of investments or less to create more and better multipurpose production facilities as quickly as possible.

Third, cutting down consumption, increasing varieties and improving quality should be placed in the primary position. The practice of seeking output and production value without regard to consumption and quality must be thoroughly changed. The development road of low-rate consumption and high quality, that is the road of seeking quantity and speed while achieving better results and practicing economy must be resolutely followed. By so doing, the ability of heavy industry to accumulate funds will be increased and the quantity of the means of production consumed by heavy industry and the whole society will be relatively decreased. This will be more favorable to the coordinated high rate of development of heavy industry and the national economy as a whole.

Heavy industry mainly produces the means of production. Production of the means of production aims at serving the production of consumer goods. Apart from this aim, production of the means of production will lose its social significance. In order to produce the means of production, definite means of production are needed. As far as heavy industry is concerned, this will give rise to a question of relationship between serving agriculture and light industry and developing itself. This plus the fact that the construction cycle of heavy industry is long and the building of its production capacity must be arranged several years in advance increase the complexity of the problem. If the development target of heavy industry is determined apart from the demand for the development of agriculture and light industry or is based on economically unrealistic demands, and if this target is achieved by lowering the efficiency, increasing the rate of consumption and detracting from the quality, then the development of heavy industry will not only encroach upon the means of production that should be used for purposes of agriculture and light industry but also bring about a vicious cycle: greater shortages of heavy-industry products and demands for enlarging the scale of construction of heavy industry. This will be detrimental to the coordinated development of agriculture, light industry and heavy industry.

From this analysis it will be seen that, as far as agriculture and light industry are concerned, the positive demand is to speed up the development by every conceivable means. As far as heavy industry is concerned, despite the fact that the quantity indices for some processing departments are under control, higher demand is made on the variety and quality of products and a stricter demand is made on the consumption of materials and goods, and the task is not lighter but is made more formidable.

Readjusting the relations among agriculture, light industry and heavy industry is closely bound up with readjustment of the proportions of consumption

and accumulation. Production determines distribution. The proportions of agriculture, light industry and heavy industry as the basic proportions of social production materially govern the distribution proportions of consumption and accumulation of the national income. But distribution reacts on production. Definite proportions of consumption and accumulation will play an important part in changing the subsequent composition of production. If the accumulation rate is too high and the scale of construction too great it will use the fuel power and raw and processed materials that should be used for agriculture and light industry and hinder their development; on the other hand, it will increase the quantity of need for the means of production and impose too heavy a burden on heavy industry. For this reason, without gradually cutting down the excessively high rate of accumulation it will be impossible to put the proportionate relations in order among agriculture, light industry and heavy industry. However in readjusting the proportions of consumption and accumulation, consideration must be given to the objective state of the production structures of agriculture, light industry and heavy industry. If agriculture and light industry are not developed and if more means of consumption are not produced, there will be no necessary materials foundation for raising the people's consumer level. Under these circumstances, even if consumer funds are increased, the consumer level will not be raised. A decrease in accumulation funds will result in overstocking of products. Instead of facilitating the readjustment of the proportionate relations, this will cause confusion and losses in economic life. It is precisely because of this that readjustment of the proportionate relations among agriculture, light industry and heavy industry must be well integrated with readjustment of the proportionate relations between consumption and accumulation. We must have a strong determination and take steady steps before we can achieve good results.

III

In addition to doing a good job of readjustment, in readjusting the proportionate relations we must integrate readjustment with restructuring the economic system, rectifying the enterprises and improving the level of management and the scientific and technical levels. The four tasks--readjusting, restructuring, rectifying and improving--promote and permeate one another. Taking the situation as a whole, readjustment is the key. In the circumstances in which some important proportions are not balanced, the economy is in disorder, enterprise production and supply and marketing cannot be well dovetailed, it is difficult to institute a strict system of economic responsibility and difficult to give rewards and punishment impartially. Thus, it will be difficult to carry out all-round restructuring of the economic system. Rectifying enterprises and improving the level of management will suffer from certain limitations. But, conversely, if the economic system is not restructured where necessary and possible according to the requirements of the objective economic laws and if enterprises are not well rectified, it will be impossible to do a good job of readjustment.

The primary reason for this is that in order to arrange the proportionate relations well it is necessary to bring the enthusiasm of the central departments, localities and enterprises into full play under the centralized, unified leadership of the center. In the past, a traditional view was held that to achieve planned and proportioned development there must be an all-unifying and all-embracing plan. It appears now that this view is not practical. It is actually impossible for the central authorities to concentrate the complex, ever-changing economic activities of 29 provinces and municipalities, more than 2,000 counties and several hundred thousand enterprises and to achieve a comprehensive balance and arrange the proportions. If the central authorities force themselves to do it, it will be divorced from reality. Even though subjectively they want to do things in proportion, actually they will not be able to do so. If we really want to do things in proportion, a comprehensive balance must be achieved at all levels from the center to the localities to the enterprises, and the balance achieved by enterprises should be taken as the basis. The reason is that the proportionate relations, be they national, regional or trade ones, will eventually have to link up with enterprise production, supply and marketing. If they are not linked up to enterprise production, supply and marketing, the arranged proportions cannot be realized. If all levels assume responsibility for achieving a comprehensive balance, they must be invested with corresponding functions and power to coordinate the economic activities. This will make it necessary to restructure the present system of economic management which is overcentralized and to enlarge the rights of localities in general and enterprises in particular so that they may rationally and effectively organize activities of production and operation under the centralized plans of the state and in light of their own conditions.

Viewed from the concrete tasks of readjustment carried out this time, the action of restructuring on readjustment is very obvious. For example, readjustment envisages the accelerated development of agriculture and light industry. Agriculture and light industry are managed mainly by localities. In order to enable localities to develop agriculture and light industry in a manner suited to local circumstances, it is necessary to enlarge their power appropriately. As a further example, the readjustment now being carried out envisages the gradual coordination of relations between the fuel power department and other departments. This involves a series of systems. At present fuels and powers are distributed by the state according to unified plans, which is mainly a practice of "eating from the same pot." When building factories the departments and localities concerned seldom give serious consideration to the balance of fuel and power. After factories are built, they ask the state for coal and electricity. This system lends itself to blind development of the processing industry and aggravates the shortage of fuel and power. It must be changed. When shortages of fuel power are felt, power should be supplied selectively to those advanced enterprises whose needs must be satisfied as far as possible so that they can operate at full capacity. This is an important measure for alleviating the shortage of fuel power and making limited fuel power play

a greater role. But, if we want to insure the rational implementation of these measures, we must solve the problems existing in the system of industrial management and the system of distributing materials and goods. As a further example, in order to handle correctly the relations between construction of new enterprises and the transformation of old ones and shift the focal point to tapping the potentials, innovating the techniques and transforming the existing enterprises, we must change the present state of the enterprises whose rights are so limited that they cannot regenerate their equipment and carry out technical transformation according to the requirements of technical progress. This state of affairs shows that if we want to do a good job of readjustment, we must simultaneously carry out the necessary restructuring of those parts of the economic system that must be restructured and can be restructured.

Another reason why readjustment and restructuring must be combined is because the proportionate relations between various branches of the national economy are closely bound up with the economic effects of production and construction. Marx once integrated the economy of labor and time with planned distribution of labor and time among various departments, calling it the primary law of socialist production. In fact, these two aspects are closely bound up with each other. An imbalance of proportionate relations is bound to cause great waste. Poor economic effects, that is, expending a great quantity of labor without achieving the anticipated results, is bound to strain the proportionate relations and even cause an imbalance. At present, fuel power is in short supply. One reason is that the rate of consumption is high and waste is great. If this problem is not solved and if we simply rely on increased production, then even if more fuel power is produced it will not be enough to cope with this high rate of consumption. For further example, in the case of many heavy industrial products, the variety does not satisfy the need and the quality is inferior. A considerable part of these products is piled up in warehouses after their production, or two pieces are not as good as one. Furthermore, there are numerous links in the process of circulation; the turnover of goods is slow and many things become unsaleable and go to the bottom in the process of circulation. All this increases the quantity of need for the means of production and cannot but adversely affect the coordinated development of agriculture, light industry and heavy industry. As a further example, capital construction with its numerous items, long cycle and poor results uses a lot of financial and material resources but fails to provide new production capacity. This adversely affects the development of production and the rational arrangement of proportions of consumption and accumulation. Therefore, if we want to do a good job of readjustment of the proportionate relations, we must exert our utmost efforts to improve the economic effects, cut down the high rate of consumption and the high percentage of goods kept in stock, and apply the capital investments with good results so that they may produce the maximum economic results. In this way, with the financial and material resources available to us now we will be able to produce more and better products and create more wealth. We will have more room to maneuver and greater material strength and achieve quicker and greater results. If we

want to achieve this and strive for economic results in all spheres of economic life, we must restructure the prevailing system which lays particular stress on administrative means, administrative stratum and administrative orders in managing the economy, and we must correctly apply the economic laws in organizing and managing the economy.

In this connection, rectifying the enterprises is likewise of momentous significance. Poor economic results are inseparable from confusion in the spheres of production, circulation and distribution. In many respects, the problems found in enterprise work have something to do with the defects in the prevailing system, but there are many things that can be done better even under the prevailing system. For example, we may institute a powerful system of production command, strengthen the building of contingents, amplify the necessary rules and regulations centering on the system of personal responsibility, practice democratic management, do a good job of the foundation work like fixing the number of staff members, fixing the norms, compiling statistics, calculating, keeping original records, analyzing economic activities, improve the production order, promote environmental hygiene, and so forth. If these things are done well, we may greatly improve the economic and technical indices of enterprise production and operation, improve the economic results and tap the potentials of production increases and economy. This is not only of importance to readjustment of the proportionate relations but is also a fundamental condition for restructuring the prevailing system of economic management. For this reason, in the process of readjusting the economy we must exert great efforts to continue to rectify the existing enterprises and extensively vigorously unfold production increases and economic activities.

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NATIONAL ECONOMIC POLICY

PRC JOURNAL ON ALLOWING UNITS TO BECOME WELL-OFF

Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 79 pp 14-17

[Article by Zui Mu [0146 3668]: "On 'Standing Out'"]

[Text] To permit some rural commune teams and some commune members to become well-to-do first under the premise of adhering to the socialist road is to permit "standing out beyond a regular line" as we used to say. Standing out beyond a regular line, which was not permitted by the gang of four, is now permitted, encouraged and supported. This marks an important readjustment of the party's guiding policy for the rural areas after penetrating exposure and criticism of the ultraleftist line of the gang of four. With this correct policy determined, people's minds have been set free and their mental inhibitions smashed. This policy is exercising a tremendous influence over the development of agriculture, the boom of the rural economy and the diminution of the distinction between town and country.

However, some comrades still do not view the question in the same light and do not clearly see the dividing line between right and wrong. It is necessary to bring the question up for discussion.

1. "To Permit Standing Out" Is a Positive Policy

Let us see how things stand out with regard to production and distribution in our rural areas since the gang of four were smashed.

Jiangsu's Sujou district is one of the high-yield grain areas. In 1978, the net total value of production created by farm workers in the spheres of agriculture, side occupations and industry averaged 256.8 yuan per capita and the amount of money distributed by the collective to the agricultural population was 134 yuan per capita. In the advanced counties of this district, the net value of production created by farm workers averaged 370 yuan per capita and the amount of money distributed by the collective was 185 yuan per capita, which were respectively 44 and 38 percent higher than the average level for the whole district. In the case of advanced teams, the amount of money distributed per capita was more than 260 yuan, or 100

percent higher than the average level for the whole district and 500 and 600 percent higher compared with the low-level production teams. Viewed from the Sujou district, the advanced areas in general have developed in an even manner. The more advanced an area is, the smaller is the difference between the high and low economic levels; the more backward an area is, the greater is the difference.

Practice has proven that those production teams whose economic level is high have these distinguishing features: proper implementation of party policies, a good record of collective production and, in particular, all-round development of agriculture, sideline occupations and industry achieved by exploiting and utilizing their natural resources in a manner suited to local circumstances. Apart from greater labor power, a small family to support and a good record of collective production, an important reason why a commune member has greater economic income is that he has developed his family sideline occupations with success. According to some typical data, sideline occupations and net income from private plots generally account for about 20 percent of the total income earned by commune members and more than 30 percent of the total income earned by those commune members who stand out beyond a regular line. Production conditions being roughly equal, the production level and distribution levels of some teams or individual members are, in most cases, several times higher compared with others. It is thus clear that the ones who stand out (the collective and the individual) have not only expended more labor but also managed in a scientific way and made meticulous arrangements. To permit some teams and members to stand out is essentially to bring the enthusiasm of cadres and commune members extensively into play and, under the premise of adhering to the socialist road, to develop agricultural production and improve the living standard of commune members as quickly as possible. Therefore, to permit some teams and members to stand out is a positive policy.

2. Permitting One To Stand Out Is One of the Striking Differences Between True Socialism and False Socialism

Permitting or not permitting some teams and members to stand out gives expression to the struggle between true socialism and the false socialist doctrine of widespread poverty advocated by the gang of four. The ultraleftist line pushed by the gang of four advertised an absurd theory that "one who is rich will turn revisionist." Under their influence, some localities criticized well-to-do commune teams as "black models of revisionists," cut off diversified undertakings and family sideline occupations as "tails" of capitalism, and kept denouncing the members who stood out as "upstarts." Some localities even made a rule that the distribution level of commune teams must not top a certain model brigade or team just as the house of the common people must not be higher than the palace. This set of measures not only dampened the socialist enthusiasm of cadres and commune members and undermined our rural economy but also threw people's minds into confusion and confused right and wrong in theory. Its pernicious influence has not been eliminated even to this day.

For example, some people, who still have lingering fears, are afraid that the policy of permitting some commune teams and members to stand out will engender new class polarization. As a matter of fact, this worry is groundless. Our country's rural people's communes place the means of production under collective ownership, permit no purchase or sale of the basic means of production including land and, without regarding labor power as a commodity, permit no hiring of laborers. This being so, the ones who stand out (the collective and the individual) cannot change their wealth into capital to exploit others while the indigent production teams and individuals will not lose their basic means of production and will not sell their labor power. This determines the socialist character of the reproduction process and insures that class polarization and exploitation of man by man will not be engendered.

Looking into the matter further, we shall find that both the commune teams that stand out and the indigent ones are connected with socialist industry, commerce and finance. All of them develop through unified, planned regulation by socialism and receive aid from the state and various branches of the national economy. For this reason, along with development of the national economy, there is a tendency toward universal improvement of the conditions of agricultural production. Take the Sujou district for example. Of the 7.135 million mu of cultivated land, the irrigated area comprises 79 percent of the total farmland area. Both the advanced, the intermediate and the less advanced commune teams account for fairly large proportions of steady-yield and high-yield land. Distribution of agricultural machinery is comparatively balanced. The number of poverty-stricken and indigent teams is steadily decreasing. Taking those teams whose members received 40 yuan or less each per year from collective distribution of income as poverty-stricken teams capable of only simple reproduction, the number of poverty-stricken teams in Sujou district was 25 in 1977, or only 0.06 percent of the total number of production teams. The number was only 8 in 1978. The number of production teams whose members received 41 to 60 yuan each per year from collective distribution of income was 1,329 or 3.2 percent of the total number of teams in 1977 and 105 or 0.25 percent of the total in 1978. In short, since the gang of four were smashed, the percentage of poverty-stricken and indigent teams has been dropping year by year. Socialist communal ownership of the means of production plus constant improvement of the production conditions in collective economy determine that the production and income levels will be universally raised and that there will be no class polarization in which the rich becomes richer and the poor poorer.

As to the higher living standard of commune members who stand out, as long as they become rich through collective labor and as long as their family sideline occupations have developed without hindering the collectively economy, they differ in principle from the small private owners who "become rich through production." Small private owners are also laborers, but once they are polarized on the foundation of private property, they will inevitably turn to slight exploitation and gradually become exploiters.

Family sideline occupations undertaken by members of people's communes are only a supplement to socialist economy. So long as this remains unchanged, well-to-do members will have no inexorable connections with exploitation and speculation. The reason for this is that their becoming well-to-do is not conditioned on the bankruptcy of others. On the contrary, their becoming well-to-do serves as an example to stimulate others to work hard. In short, the socialist road is the road to becoming well-to-do together. While people may become well-to-do in varying degrees, it is merely a question of who becomes well-to-do first and who next. Despite the fact that a few new exploiters will appear from now on, their appearances and class polarization are obviously two different things.

3. The Superprofits Made by Teams That Stand Out Should Be Concretely Analyzed

Agricultural production is very dependent on natural conditions. It is noted that some commune teams have particularly favorable natural conditions or communication facilities and that their natural resources can easily be exploited and utilized and their laborpower potential can easily be brought into play. These circumstances are favorable to lowering their production cost, developing commune-brigade-team enterprises and raising labor productivity. With the same labor power these commune teams can achieve greater economic results or realize greater social value, namely, an amount over and above the individual value of commodity. Some commune teams may obtain many "advantages" in developing their productive forces. These exceptional circumstances have much to do with the ability of some commune teams to stand out beyond a regular line. With a view to conscious implementation of the policy of permitting some teams to stand out, we must make a penetrating analysis of several exceptional circumstances and find out how these teams earn their superprofits and whether these superprofits are reasonable. If this question is not clearly analyzed, we shall be unable to work out a distinctive policy and, once there is disturbance or trouble, we shall inevitably waiver over the question of permitting rural commune teams and members to stand out. Below are several circumstances that should be concretely analyzed.

The first circumstance: Natural conditions of production are particularly favorable to some commune teams. For example, in low-lying paddy fields surrounded with dykes along rivers, irrigation facilities (such as gravity irrigation) are much better than those in hilly areas. Because of this, the labor productivity of farm produce in paddy fields surrounded with dykes is much higher and the production costs much lower compared with hilly areas. According to Marx, this higher productive force does not come from "labor itself" but "from certain greater natural productive forces of labor." ("Capital," vol 3, p 766). Some commune teams have a greater natural productive force which enables them to make superprofits. They are able to do so because this natural condition is bound up with the ownership of the land, which is owned by a part of the commune teams and not by others. However, as long as we recognize the right of present-stage owners to act

on their own, we should recognize the rationality of such superprofits made by part of the commune teams. From the communist point of view, it may be said that this is an "evil." Our objective is to build developed socialism and realize equality of labor and equality of pay in the whole sphere of society and then to substitute "to each according to his need" for "to each according to his work" in the communist society. But at the present stage of socialism, this is impossible. Those commune teams that have increased production and more income ought to make more contributions to the state; however, if their superprofits are subject to egalitarianism and indiscriminate transfer, this would run counter to the policy of permitting some teams to stand out.

The second circumstance: Some commune teams are endowed with natural resources. For example, in hilly areas some commune teams can quarry stones, extract coal and make lime while others can dig for sand. Some commune teams own large low-lying lake areas or more cultivated land suitable for developing diversified undertakings. Under such circumstances, the labor potential of commune teams can easily be brought into play, resistance to the use of agricultural machinery can be reduced, and labor productivity can be raised faster. Are the high levels of production and distribution, which are attributable to these factors, reasonable? I think so. The reason for this is the same as in the first circumstance and will not be reiterated here.

The third circumstance: Some commune teams are near cities and towns, lines of communication or factory and mining areas. Their diversified undertakings are easy to develop. In particular, they can use leftover bits and pieces of industrial material from factories or utilize other technical conveniences to develop small industries. This will enable them to develop production and raise their distribution level at a greater rate. It should be noted that development of these commune teams reflects the results of social economic development along with subjective factors.

For example, in certain areas large water conservancy projects are built by the state so that gravity irrigation can be utilized in some localities which were not irrigated in the past. Under these circumstances, it would be reasonable to collect a little more in water fees to aid poverty-stricken teams or initiate other undertakings.

As a further example, when procuring certain farm produce the commercial department may, besides paying the prices, grant a transportation allowance according to mileage and the distance from lines of communications. This will reduce the income difference between those who are near and those who are distant. It is a reasonable work method.

In short, concerning the commune teams who stand out because of the above conditions, we should effect a certain policy regulation on economic income distribution outside the basic business accounting units (production teams or brigades) simultaneously with increasing production and income.

4. Draw Several Dividing Lines, Handle Several Relations Properly

Permitting part of the commune teams to become well-to-do first will involve the relations between the collective and the individual and between the collective bodies. On the basis of the above analysis, I think it is necessary to have clear knowledge of the following points in order to insure correct implementation of the policy of permitting some commune teams to stand out.

First, we are speaking of standing out under the premise of adhering to the socialist road. We are speaking of increasing production and income by means of labor and not by means of exploitation. This is a basic dividing line. Those new exploiters, who become rich by exploiting their special privileges and by illegal means of speculation, graft and embezzlement, must be punished according to state laws and condemned by public opinion. Such an instance of "standing out" and the "stand out" we mentioned above are two things fundamentally different in character. There are also those who, on hearing that they are permitted to stand out, want to draw away from collective labor and make a living by using their special skill or their ability to secure personal gain. In some localities, it has been discovered that some people who have been drafted away from collective production quit farming and go into business. They engage in unlicensed business and transport goods over long distance to sell. They even carry out disruptive activities of buying and selling coupons and certificates and spreading feudal superstitions. Like old-time individual laborers, these people are still small private owners; moreover, some still show a spontaneous tendency toward capitalism. These people who spontaneously leave the collective have no means of production and find themselves moving about waiting for employment. They are unsteady and opportunist in character and can easily be made use of by new exploiters. For this reason, we should take account of the difference in principle between our policy of permitting some teams to stand out and the practice of "becoming rich through production" or "becoming rich through labor" under conditions of a small peasant economy. We should depend on labor, mainly collective labor, to stand out. We should encourage individual commune members to stand out under the premise of stabilizing the labor power and the rural collective economy. To be sure, viewed from actual conditions, unorganized individual laborers will exist for a long time to come. We should intensify education for them, actively guide them and take appropriate measures to restrict them. We must guard against and rectify the backward flow of collective laborers to individual farming.

Secondly, care should be taken to guide the commune teams that stand out to handle correctly the relations among the state, the collective and the individual in their distribution of income. It appears from some typical data that some commune teams distributed all their increased income to their members last year without increasing their collective production. Some even distributed the agricultural loans that should have been repaid along with cash deposits for farm produce. All such instances are examples of misinterpreting the policy of permitting some commune teams to stand out. It is necessary to strengthen leadership over distribution work, distribute

income under the premise of correctly handling the debt relations involving the collective units and correctly handle the relations between accumulation and consumption. We must abolish the method of arbitrarily restricting distribution, which was adopted when the four pests were running wild. However, as we have analyzed above, the increased production and income of some commune teams is due to the results of social development to a considerable degree. In principle, we should not sweepingly deny the necessity of appropriately restricting the distribution level of commune teams and the labor remuneration paid by commune-team enterprises. Such as a precise expression of the superiority of the socialist system.

Finally, it is necessary to handle correctly the relations between "add flowers to the brocade" and "send charcoal in snowy weather."

If leading organs at the county level and above make investments according to the economic principle "invest where the profits are good" when aiding agriculture and commune-team industry, it will make the well-to-do commune teams more well-to-do. The guiding principle observed by the industrial and commercial departments--supply raw materials to the selected commune-team industry--and the policy of paying a better price for better quality products are more favorable to the advanced commune teams. This method of "adding flowers to the brocade" is advantageous to promoting the development of productive forces and is, consequently, reasonable. We oppose the absurd method adopted by Lin Biao and the gang of four who used administrative power to mold "advanced" models. However, if teams that stand out are able to achieve better economic results of investment in funds and materials due to favorable conditions, we should justly and forcefully let them do so. We should not only permit some teams to stand out but also enthusiastically support them in doing so.

However, our objective is not merely to make some commune teams and members stand out but to strive for common prosperity for the broad masses of people in the countryside. To encourage some commune teams and members to become well-to-do first is precisely aimed at promoting common prosperity. For this reason, we should both "add flowers to the brocade" and "send charcoal in snowy weather." We should strive to do a good job for poverty-stricken and indigent teams and promote the widespread rise in the rural economy. It should be realized that since the commodity rate of farm produce is low, part of the poverty-stricken and indigent teams are still unable to gain much benefit from the measures to raise the price of farm produce. For this reason, these commune teams should rely on their own efforts and wage an arduous struggle to develop their collective economy. In addition, it is necessary to help them with diversified economic aid so they can catch up quickly. Experience has proven that poverty-stricken and indigent teams in general have great potential to increase production and that policies will be implemented and the socialist enthusiasm of the broad masses brought in-to play if leadership is strengthened. If necessary material aid is given, the features of poverty-stricken and indigent teams may be changed with quick results.

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NATIONAL ECONOMIC POLICY

PRC ECONOMIC JOURNAL FURTHER DISCUSSES ECONOMICS, POLITICS

Beijing JINGJI YANJIU in Chinese No 7, 20 Jul 79 pp 28-36 HK

[Article by Duan Ruofei [7744 4460 1111] and Dai Cheng [2324 5320]: "Can Politics, Under Given Conditions, Determine the Economic System?—A Discussion of Comrade Zhao Guoliang's Conferring With Comrades Lin Zili and You Lin"]

[Text] The relationship between economics and politics is an important theoretical problem. It also has important practical significance. The clarification of this problem has important significance to the destruction of the theoretical system of the gang of four concerning the theory of will and authority and to the liquidation of their evil influence. It is also significant in guiding our great "New Long March" with Marxist theories on the relationship between economics and politics.

JINGJI YANJIU No 1, 1978 published an article by Comrades Lin Zili and You Lin entitled "On the Relationship Between Politics and Economics." (This article is a portion of their book entitled: "A Criticism of the 'Gang of Four's' 'Criticism' of 'The Theory of Putting the Productive Forces Above Everything Else'.") This article discussed the Marxist principle concerning the interrelationship of economics and politics. It also proved the determining effect of economics on politics and the reaction politics had on economics. This helps to criticize the fallacies of the gang of four in overturning the relation between economics and politics, and their historical idealism in advocating economics determined by politics. This is indeed a good piece of work establishing order out of the chaos and eradicating the evil effects of the gang of four.

JINGJI YANJIU No 6, 1979 published an article by Comrade Zhao Guoliang entitled: "Politics and Economics Are the Unity of Opposites—Conferring With Comrades Lin Zili and You Lin" (hereafter referred to as "Conferring With"). It disagreed with the article: "On the Relationship Between Politics and Economics."

Free discussion on important theoretical problems motivates us to search for truth or at least to understand the truths expounded by our predecessors. In this article, I wish to discuss the principal question put forward in the article "Conferring With." That is, can politics, under given conditions, determine economics? To put it in another way: Under the premise of recognizing the determining effects of economics on politics, can we likewise recognize the determining effects of politics on economics under given conditions?

I

When we study the article "Conferring With," we cannot help noticing a very obvious characteristic. That is: On the one hand, it recognized the determining effects of economics on politics in the overall trend of history. On the other, it also recognized the determining effects of politics on economics under given conditions. Furthermore, it has tried very carefully to "integrate" two mutually exclusive propositions. It proposed that under the premise of recognizing the first nature of economics (that is, economics determines politics), it is possible to say that politics could in turn determine economics under given conditions. Using this viewpoint as the criterion it criticized the article "On the Relationship Between Politics and Economics" for failing to mention the determining effects of politics on economics under given conditions. This is the theoretical position of the article "Conferring With."

The main point of the theoretical position of the article "Conferring With" is the belief that politics can determine economics under given conditions. However, in the definite exposition of this argument, the article has carefully avoided putting the question in the more substantial formulation of "politics can determine economics under given conditions." Rather, it only said that "politics can determine economic development under given conditions." It must be pointed out that what was referred here as "economic development" is just a vague concept. In referring to economic development, did it mean the direction of economic development or the speed of economic development? Or, did it mean both? It was not at all clear with regard to these questions. Furthermore, did what was referred to as "determining economic development" also include "the nature of economics"? By virtue of the meaning of the term, "the nature of economics" is not included. But the article "Conferring With" was meant to say that politics can determine economics under given conditions (the term "economics" referred here includes the nature and direction of the development of economics.) This is because the article "Conferring With" has put forward the proposition that politics and economics are a unity of opposites (instead of politics and "economic development" are a unity of opposites.) This proposition was used to prove the proposition that politics can determine economics under given conditions. Here, to replace the general concept of "economics" by the concept of "economic development" at will would only confuse the problem rather than clarify it. We should guide our discussion around the core of the problem instead of deviating from it. In order to do so, we must define the problem, according to the original intention of the article "Conferring With," as follows: Can politics determine economics under given conditions?

In discussing this point, we must first clarify the following point: Marxism believes that matter determines consciousness and not consciousness determines matter; and economics determines politics and not politics determines economics. In this context, what is the meaning of the term "determine"? In the scientific language of Marxism, the meaning of the word "determine" in the context of the propositions "matter determines consciousness" and "economics determines politics" are strictly defined. It must not be given any other meaning at all. Marxist materialism believes that matter determines consciousness. This actually means that matter is primary whereas consciousness is derived; consciousness is a product of matter. Similarly, for the proposition that economics determines politics, it actually means that economics is primary whereas politics is derived; economics is the end while politics is the means created by economics itself to achieve its goals. Therefore the word "determine" is used here as a term denoting the relationships between matter and consciousness as well as that between economics and politics. It also denotes the relationship between the primary and the derived as well as the relationship between the end and the means. (According to classical Marxism, to define the meaning of the term "determine" in this way does not mean that it cannot be used in any other sense under other situations. In classical Marxism, the term "determine" is used in other senses when talking about other problems. In this case, the meaning of the term "determine" is different from that used in the propositions of matter determines consciousness and economics determines politics. In everyday language, people often say that "everything is ready, and all we need is the easterly wind." Here, the coming of the east wind denotes something which "determines." It is permissible to use the word "determine" in this way. However, when we are studying the science of Marxism, the above usage should not be confused with the meaning of the term "determine" when it is used in Marxism to denote the relationships between matter and consciousness, and between economics and politics.)

In this definite sense, Marxism believe that politics does not determine economics; on the contrary, economics determines politics. This is similar to "it is not the consciousness of men that determines their being; but, on the contrary, their social being that determines their consciousness." ("Preface to 'The Critique of Political Economy'," "Selected Works of Marx and Engels," vol 2, p 82). This Marxist principle cannot be altered at any time or under any situation. Neither should it be turned upside down. Otherwise, it will be contrary to historical materialism and become historical idealism. "Historical materialism uses the material conditions of economic life at a given historical period to explain all historical changes and concepts, and all politics, philosophy and religion." ("On the Housing Problem," "Selected Works of Marx and Engels," vol 2, p 537)

If the "general situation" is understood as the totality of the long process of history which contains the relationship between economics and politics; then, to propose another so-called "special situation" or "given conditions" will only lead one into preposterous logical contradictions. If the "general situation" is understood as the majority of situations or

the greater majority of situations, then "special situation" or "under given situations" can be understood as the minority or particular situation or particular periods of time.

The present problem is, when we say "under given conditions," what are the conditions in this context? The article "Conferring With" expressed the view that "Under given conditions and at given times, mostly at the turn of a revolution when the social economic system undergoes fundamental changes."

The history of human society develops through the alternation of quantitative and qualitative changes. After the long process of quantitative change, a social economic system will reach a certain crucial link and will undergo qualitative change--social revolution. It will be replaced by a new social economic system of a higher level. After that, this new and higher social economic system will go through the same process from quantitative change to qualitative change. In this way, it will repeat itself over and over again and develop spirally ahead. If we accept that in the overall process of history economics determines politics, then we must logically accept that when the social economic system undergoes qualitative change, economics also determines politics. Furthermore, the decisive role of economics will be more outstanding and distinct. At the same time, the reaction of politics will be equally outstanding and distinct. However, this is still determined by economics and is a manifestation of the decisive role of economics. This very much conforms to reality. When the social economic system is undergoing qualitative change, first, the demand for revolutionary change is proposed by economics; second, the social force for the realization of revolutionary change is nurtured by economics; third, the direction of revolutionary change (to be transformed into what kind of new social formation) is also defined by economics.

The article "Conferring With" used the proletariat revolution as an example to illustrate that at the time of social revolution, politics can determine economics. This example had already been analyzed in the article by comrades Lin Zili and You Lin. Their article had concretely demonstrated how economics determined politics at the time of social revolution. However, the article "Conferring With" did not refute this analysis directly. On the contrary, it used another kind of analysis to prove its arguments. Its analysis is as follows:

"The proletarian revolution is naturally a result of the movement of contradictions between the relations of production and the productive forces of a capitalist society. In the final analysis, it is determined by the development of productive forces. The development of productive forces not only determines the old relations of production destined to be changed but has also created the material prerequisites for such changes, thus digging the grave of capitalism. In short, economics is of the first nature and is the primary and ultimate determining force. However, in addition to the movement of contradictions between the productive forces and the relations of production, there coexists another basic social movement of contradictions which interacts with it. That is, the movement of contradiction between

the superstructure and the economic base. From this we see that even though the capitalist relations of production have become a fetter to the further development of the productive forces and the death knell of capitalism has been sounded, the capitalist relations of production have not and will not leave the stage of history by themselves. The demand for the liberation of the productive forces has not yet been satisfied. Why? What is the reason for the continued existence of the capitalist relations of production (although they have received their "death sentence," they still continue to exist)? Is the element of the first nature, the development of the productive forces, not yet mature enough to call for a higher economic form? Obviously, this is not the case. The fact is that the superstructure of capitalism, that is, the continued existence of the state and the army which try their best to defend their economic foundation, use reactionary violence to suppress the proletarian class. Under such historical preconditions, the use of revolutionary violence to smash the old state machinery, seize political power and establish the political regime of the proletariat has become the determining force for accelerating the death of the capitalist relations of production and for the emergence of the socialist relations of production. Revolution by violence is the general principle of proletarian revolutions. Instead of rejecting the determining effects of politics, the primacy of economics here even demands them. At such a juncture of the revolution, politics has in turn manifested its principal and decisive role. This does not deny the primacy of economics; on the contrary, it has transformed the inevitability of the economic movement into a reality."

This is the analysis in full used by the article "Conferring With" on the example of the proletarian revolution.

Now let us analyze this analysis. Let us put aside the other problems in this piece of analysis and concentrate our discussion on the arguments directly connected with the main theme.

The main theme of the above analysis in the article "Conferring With" is roughly like this: Reactionary violence "determines the continued existence of the capitalist relations of production (although they have received their 'death sentence' they still continue to exist"; revolutionary violence has become the determining force accelerating the death of the capitalist relations of production and for the emergence of the socialist relations of production."

First, using reactionary violence to explain the continued existence of capitalism is just harping on the same string of the theory of violence. In criticizing the theory of violence, Engels pointed out: "The mere fact that the ruled and exploited have at all times been far more numerous than the rulers and exploiters, and that therefore the real force has reposed in the hands of the former, is enough to demonstrate the absurdity of the whole force theory. ("Anti-Duhring," "Selected Works of Marx and Engels," vol 3, pp 217-218) Such absurdity is also manifested in the article "Conferring With" which said that violence determined the continued existence of capitalism; and when it said that violence determined the death of

capitalism. In this case, it has fallen into the logical contradiction of "directing one's spear against one's own shield."

Second, to assert categorically that revolutionary violence is "the determining force for accelerating the emergence of the socialist relations of production," is contrary to the Marxist thinking concerning violence. That is, violence is the midwife of the old society which nurtures the new society. It is the instrument by which the social movement asserts itself and destroys the ossified and dying political form. Marxism attaches great importance to the revolutionary role of violence in accelerating the emergence of new society. However, it never regarded violence as "a determining force." The determining force contributing to the emergence of new society can only be the new productive forces. Violence is the midwife, not the lying-in woman. It can accelerate the progress of social change but it can never create a new social formation.

Then, in the proletarian revolution, that is, the revolution which replaces capitalism by socialism, how can the determining role of economics manifest itself in a more outstanding and distinct way? First, the great advances of the economy created highly socialized productive forces. This changes the capitalist relations of production from the mode which promotes the development of the productive forces to the fetter which obstructs such development. The development of highly socialized productive forces demands the shattering of the constraints of the capitalist system in conformity to it. Second, due to the great advances of the economy and the creation of highly socialized productive forces, the industrial proletarian class is created. This turns into the union and organization of the proletariat and subsequently becomes the great social force which buries capitalism and establishes socialism. Third, due to the great advances of the economy and the creation of highly socialized productive forces, it determines that after the destruction of capitalism, what replaces it must be socialism and cannot be any other social system.

From this it can be seen that, the examples of the proletarian socialist revolution fully explain that economics determines politics and not vice versa. Furthermore, the determining role of economics during the time of social revolution is manifested in an even more outstanding and distinct way. It is quite clear that without the proletarian class we cannot talk about the proletarian revolution and the proletarian dictatorship. The proletariat class itself is the product of economic development. Then, is it not very obvious that political phenomenon such as the proletarian revolution and proletarian dictatorship are all rooted in economics, that is, determined by economics?

In short, for the transformation from old social formation to new social formation and from capitalism to socialism, the determining force is not politics or violence. Rather, it is the inevitability of economic movement. Lenin rightly pointed out: "Marx deduces the inevitability of the transformation of capitalist society into socialist society wholly and exclusively

from the economic law of motion of contemporary society." ("Karl Marx," "Selected Works of Lenin," vol 2 p 599) The inevitability of economic movement is always exerting itself ruthlessly and without exception. Social development is a natural historic process.

II

To prove the argument that politics can determine economics under given conditions, the article "Conferring With" has quoted a paragraph by Engels as the basis of its argument. "The reaction of state power upon economic development can be of three kinds: It can run in the same direction, during which time development is more rapid; it can oppose the line of development, in which case nowadays it will go to pieces in the long run in every great people; or it can prevent economic development from proceeding along certain lines, and prescribe other lines. This case ultimately reduces itself to one of the two previous points. But it is obvious that in cases two and three the political power can do great damage to the economic development and cause a great squandering of energy and material." ("Engels to C. Schmidt, October 27, 1890," "Selected Works of Marx and Engels," vol 4, p 483) What does this paragraph by Engels prove? If one tries to understand this paragraph according to its original meaning, one will find out that it does not prove, in any sense, the argument put forward by the article "Conferring With." That is, it does not prove the argument that politics can determine economics. On the contrary, it only proves the argument that politics has its reaction on economics. Engels put this very clearly. What he was trying to expound were the various possible kinds of reactions that state power can have upon economic development. He pointed out that politics "can prevent economic development from proceeding along certain lines, and prescribe other lines." It is obvious that he was talking about the "obstructing" or "promoting effects that politics can have on economics; that is, reaction. He was not talking about determining effect. One should not confuse reaction with determining effects.

To prove the argument that politics can determine economics under given conditions, the article "Conferring With" has especially quoted a passage from Comrade Mao Zedong's article "On Contradiction." This passage deals with the mutual transformation of the opposite sides of a contradiction such as that between the productive forces and the relations of production. This passage has been used repeatedly by people who hold similar views and pursue similar goals with the article "Conferring With." They have used it as the strongest support and foundation for their argument. Here, we cannot undertake a full scale study of this passage. We can only inquire into areas directly related to the problem under discussion. The basic viewpoint of that passage is: "True, the productive forces, practice and the economic base generally play the principal and decisive role." "But it must also be admitted that in certain conditions, such aspects as the relations of production, theory and the superstructure in turn manifest themselves in the principal and decisive role." But we must call to attention the point that after Comrade Mao put forward this basic viewpoint and

gave a concrete exposition, he immediately pointed out: "Are we going against materialism when we say this? No. The reason is that while we recognize that in the general development of history the material determines the mental and social being determines social consciousness, we also--and indeed must--recognize the reaction of the mental on material things, of social consciousness on social being and of the superstructure on the economic base." ("On Contradiction," "Selected Works of Mao Zedong," vol 1, pp 300-301) If we try to look at the above passage as a whole, we cannot help noticing that what was referred to as "generally play the principal and decisive role" actually meant the kind of decisive role in the same manner as the material has on the mental "in the general development of history." Furthermore, what was referred to as "in certain conditions will in turn manifest themselves in the principal and decisive role" actually meant that kind of reaction in the strictly defined sense. Although it can be termed "decisive reaction," it after all is just a kind of "reaction." Therefore, although the passage in "On Contradiction" mentions "the principal and decisive role" twice, they are in principle different in meaning if not just taken literally. So they must not be confused. The former is talking about the decisive role in the original sense while the latter refers to a kind of reaction. The relationship between decisive role and reaction is not a matter of quantitative difference but one of qualitative difference. Fundamentally, they are two qualitatively different things.

Thus, it can be seen that the arguments which use the above passage from "On Contradiction" as the support and foundation to prove that politics can determine economics under given conditions do not hold water.

Comrade Mao Zedong's viewpoint on the relationship between economics and politics has been classically stated in his great writing "On New Democracy": Economics is the foundation while politics is the concentrated expression of economics. He pointed out that this is the basic Marxist viewpoint on the relationship between economics and politics. ("On New Democracy," "Selected Works of Mao Zedong," vol 2, p 624) Undoubtedly, this is also Comrade Mao Zedong's basic viewpoint. It has clearly pointed out that economics is fundamental and primary whereas politics is just the expression of economics. Although politics is the "concentrated expression" of economics, it after all is still the expression of economics. This is not and cannot be reversed. That is to say, politics is not primary. It is just something derived from economics. When we are studying Comrade Mao Zedong's viewpoint on the relationship between economics and politics, we must thoroughly adhere to the "basic Marxist viewpoint" concerning this problem as pointed out by Comrade Mao Zedong.

III

In the long process of history, no matter whether it is the long process of quantitative change of the social formation or the qualitative change of the social formation--the time of social revolution--politics is always determined by economics. There is no exception or can there be any. This

is manifested by history itself and is expounded in the classic writings of Marxism. Then are we denying the reaction that politics has on economics? Have we fallen into mechanical materialism? This is exactly the criticism that the article "Conferring With" has with the article "On the Relationship Between Politics and Economics," although the latter has fully affirmed and adequately discussed the reaction that politics has on economics. What is this all about?

In actual facts, the Marxist position concerning the relationship between economics and politics is that while affirming the decisive effect that economics has on politics, it also affirms the reaction politics has on economics. Furthermore, it has attached great importance to this kind of reaction. This is implied within the proposition itself. In the proposition that economics determines politics, it contains the implication of the reaction that politics has on economics. This problem has been superbly expounded in the book: "A Criticism of the 'Gang of four's' Criticism of 'The Theory of Putting the Productive Forces Above Everything Else'" by comrades Lin Zili and You Lin. Let us just quote a paragraph to illustrate what we are discussing. "Originally, the reaction that one thing has on another is premised on the decisive role of the latter. Without the decisive role, there can be no reaction. If one denies the decisive role then is basically denying the reaction." As long as we think dialectically we can easily see that between economics and politics "there is interaction on the basis of economic necessity which ultimately always asserts itself." ("Letter: Engels to W. Borgius in Breslau, London, January 24, 1894," "Selected Works of Marx and Engels," vol 4 p 506)

There is a saying that it is mechanical materialism for one to insist on the decisive role of economics over politics at any stage of the long process of history and to deny the decisive role that politics in turn has over economics at the time of social revolution. Such a saying certainly does not hold water. The history of philosophy reveals to us that the so-called mechanical (In the German and English languages, the term "mechanical" can be translated as "mechanics") materialism is the materialism which simply uses the scales of mechanics to measure the chemical and organic processes." ("Ludwig Fuerbach and the End of German Classical Philosophy," "Selected Works of Marx and Engels," vol 4, p 224) The classical form of this kind of materialism is the 18th century French materialism. It is one form of the old materialisms which predated the Marxist materialism. As with other forms of old materialism, it is outside the bounds of history as a form of materialism. When it enters into the sphere of history, it can no longer be materialism. This kind of materialism is divorced from history altogether. ("The German Ideology," "Collected Works of Marx and Engels," vol 3, p 51) In the sphere of history, mechanical materialism is 100 percent idealism. How can we say that it recognizes the decisive role of economics over politics and just deny the reaction politics has on economics? There is no such kind of mechanical materialism. There is the saying that it is "mechanical materialism" to hold the viewpoint that in the long process of history, economics determines politics at all times without any exceptions. (Let us for the time being put aside the

unscientific nature of this theory. This presumably refers to the undialectical handling of the relationship between economics and politics. Unfortunately, this saying itself is lacking in dialectics. Such a position fails to recognize that while Marxism affirms the decisive effect economics has on politics, it also affirms the reaction politics has on economics. It is only through absolutely insisting on the decisive role of economics over politics that we can really insist on the reaction politics has on economics. Therefore such a position mentioned above fails to understand the interaction between economics and politics upon the foundation of economics determines politics. (It is not determining each other).

The article "Conferring With" expresses the view that if one denies the decisive role of politics over economics under given conditions, one will be "underestimating" the reaction of politics. To put it in another way, as long as one recognizes the decisive role of politics ~~and~~ economics under given conditions, one will not be underestimating the reaction of politics. We have to ask: Why is it still considered underestimating the reaction of politics when one has fully accepted the reaction politics has on economics and believes that under given conditions its reaction will express itself more outstandingly and distinctly? Why is it a correct estimation of the reaction of politics only when one accepts that politics can determine economics under given conditions? What kind of logic is this to accuse one of underestimating or denying the reaction of politics? To put it bluntly, this kind of accusation contains the implication that reaction is confused with decisive role. That is to say, one is considered underestimating or denying the "reaction" of politics if one does not accept the decisive role of politics over economics under given conditions. It must be pointed out that, under certain conditions, the role of politics is especially outstanding. However, no matter how outstanding and illustrious it is, it is still something derived from economics and not primary. It is still the means by which economics realizes its own goals. Therefore, under any condition, the action that politics has on economics can only be that of reaction. There cannot be any decisive role for politics. Furthermore, the reaction of politics can only exert itself within the limits ascribed by economics. The degree of effectiveness of the reaction is also determined by economics. For instance, upon the economic level of feudal society no matter how great the effect of the reaction of politics, no genuine socialist society can be turned out by such "reaction."

It is contrary to Marxist materialism to regard the reaction that politics has on economics as a decisive role. Logically speaking, this is, of course, a confusion of concepts. However, this is not simply a confusion of concepts. Within the complications of such confusion, something with a deep historical root is reflected. It is in fact the political superstition which has long since dominated the minds of people. This kind of superstition has put politics in the position of a god which creates miracles. It can create (determine) everything.

Man creates history. However, in the long periods of history, man fails to understand the history created by himself. History likes to play hide-and-seek with men. It creates many false images before men and hides the truth from them. Originally, the real link of history is the fact that economics determines politics. However, what appears before the eyes of men is the false image of politics determining economics. As Engels has pointed out: "Economics, politics and other reflections are just like those in the human eye; they pass through a condensing lense and therefore appear upside down, standing on their heads. Only the nervous system which would put them on their feet again for presentation to us is lacking." ("Engels to C. Schmidt in Berlin, London October 27, 1890," "Selected Works of Marx and Engels," vol 4 p 480) The actual relationship between economics and politics has been reflected in men's conceptions in this upside down manner. Once politics is formed in economics, its independent and illustrious appearance and its overriding prestige over society have combined to give men illusion. It seems as though politics is the master of economics and the god of history. Such a false image of history hoodwinked men permanently. "The idea that the political actions of leaders and states are decisive in history is as old as written history itself." ("Anti-Duhring," "Selected Works of Marx and Engels," vol 3 p 199) Political superstition has sunk deep into the minds of people for several thousand years. If we try to look at problems historically, it is not difficult to find the historic links between the illusion of regarding the reaction of politics as the decisive role and the tradition of several thousand years of political superstition.

As the development of history came to the contemporary stage, the capitalist economy matured. With such development, the actual relationship between economics and politics reveals itself more clearly in history. It has provided the possibility for men to understand such a relationship. At the same time, the development of the capitalist economy also created the subject to understand this actual relationship--the industrial proletariat. Through the scientific research of the teachers of the proletariat--Marx and Engels--the great force hidden inside the deep of historical movement which actually dominates it--the motive force of economics--has at long last been found. The riddle of history has finally been uncovered. The false image of turning the relationship of economics and politics upside down before the eyes of men has finally been corrected by the science of Marxism. The science of Marxism has clarified history and the false images of history created by political superstition. We should never again use political superstition to explain history. We should never confuse the reaction of politics with the decisive role. Neither should we regard such reaction as something which dominates economics or as the god in command of history.

IV

The article "Conferring With" has criticized the idealist fallacy of the gang of four that politics determines economics. However, it puts forward the view that the error of the gang of four concerning the relationship

between economics and politics was that they misrepresented something which is relative and exists only under given conditions as something which is unconditional and absolute. That is to say, the gang of four misrepresented the law that politics determines economics under given conditions as the law that politics determines economics under all conditions. In other words, the gang of four misrepresented a law which is only suitable for given historical periods (In the article "Conferring With," this usually refers to the time of revolutionary changes) as a law which is suitable for the whole historical process. That means they misrepresented something relative as absolute.

If examined from a thoroughly materialist position, this is a criticism of idealism by dualism and the tendency to make compromises. Although the article "Conferring With" criticized the gang of four in many strong words, in actual fact it has not yet the vital issue of the idealist theoretical system of the gang of four.

First, this kind of criticism, no matter what the subjective intention was, in actual facts implies that under given conditions--in given times and given spheres, that is at the time of the revolutionary changes--politics determines economics. This naturally is suspected of advocating that economics and politics take turns in playing the decisive role. From the thoroughly materialist viewpoint, to say that politics can determine economics under given conditions is still an idealist proposition. Any idealism cannot hold its ground for even a second.

Second, the article "Conferring With" expresses the view that another error of the gang of four was in laying emphasis that politics determines economics without adding the premise of economics determines politics. The article said that the gang of four did not confine this kind of "determine" with the sphere of revolutionary change. In reality, it makes no difference whether this premise is added or not. From the thoroughly materialist viewpoint, the two propositions of economics determines politics and politics determines economics are mutually exclusive. They cannot be "integrated" at any time or within any sphere. This is similar to the fact that materialism and idealism cannot be "integrated" at any time or within any sphere.

Third, if we accept "politics can determine economics under given conditions" as "something relative," then, "having one claw caught in the next," we might not be able to escape the destiny of "being tied up altogether." Lenin pointed out: "In objective dialectics the difference between the relative and the absolute is itself relative. For objective dialectics there is an absolute within the relative. For subjectivism and sophistry the relative is only relative and excludes the absolute." ("On the Question of Dialectics," "Selected Works of Lenin," vol 2, p 712) Between the particular propositions within the idealist theoretical system of the gang of four, there is no absolute limit beyond which one cannot go. If we accept the proposition that "politics can determine economics under given conditions (at the time of revolutionary change) as correct, then according to the

theory fabricated by the advisers of the gang of four that the whole historical stage of socialism is the "time of revolutionary change" from capitalism to communism (the higher stage of communism), one can logically deduce that "in the whole historical stage of socialism, the relations of production and the superstructure have always played the decisive role over the productive forces and the economics base." Similarly, one can also logically deduce that "Politics determines the nature and direction of development of economics, business and technology." This is exactly the political determinism of the gang of four.

We must not think that these idealist conclusions of the gang of four are just particular errors in the manner of proposition or theoretical errors as a result of inadequate thinking. No. This is the concentrated expression of the theory upholding authority and will within the theoretical system of the gang of four concerning the relationship between economics and politics. It is an important part of the theoretical foundation stone for their left opportunist line. At the same time, it is also a precise theoretical summary of their left opportunist practice. For many years, they had created a new superstition in the state amid their clamoring of "politics determines economics, politics determines everything, politics is everything, and there is no other goal." They tried their best to restore the proletarian dictatorship, which has already transcended the original sense of the word, into what it was before the coming of the proletarian dictatorship. They tried to restore the state into something overriding the whole of society. They tried unceasingly to bring into reality their political movement for complete dictatorship by putting their authority and will above everything. As a result, they pushed our economy, politics and culture to the verge of collapse. They also pushed our party and state to the verge of destruction. Marx said: The Paris Communist "is the political form finally discovered under which to work out the economic emancipation of labor." If we do not have this condition the commune system will be just a set up. The greatest set up of all is the politics of this band of ghosts of feudal autocracy--the gang of four--which divorced themselves from economics, went against it and sought to destroy it. This is the reality of what the gang of four called politics determines economics, or politics under given conditions--in the historic stage of socialism, determines economics. However, the historical truth after all is still economics determines politics. This band of ghosts of feudal autocracy--the gang of four--were once rampant. Yet, it was just the momentary recovery of feudal autocracy in China before its final destruction. It was just a very transient moment in the long process of human history. In the face of objective economic laws, economics has determined the collapse and destruction of the landlord-bourgeois politics of the gang of four. At the same time, it has also determined the bankruptcy of their political determinism.

Economics determines politics, it can never be otherwise. This is the materialist proposition of Marxism. Through this discussion, we can see that before thorough materialism, the proposition that politics can determine politics under given conditions will not hold water. Similar to the

proposition that politics determines economics, it is an idealist proposition—it is a variant of the idealist proposition that politics determines economics. It is a form of covered up idealism. On the one hand, it accepts the materialist proposition that economics determines politics; on the other it affirms the idealist proposition that politics can determine economics under given conditions. This will inevitably lead to the dualist position. It also tried to "integrate" these two mutually exclusive proposition arbitrarily into one piece and put forward the proposition that politics can determine economics under given condition under the premise of economics determines politics. This will inevitably lead one to the fate of making compromises.

On the relationship between economics and politics, as in the case of that between matter and consciousness, "If it is not thorough materialism, it can only be the lies and muddled viewpoints of philosophic idealism." ("Materialism and Empiro-criticism," "Collected Works of Lenin," vol 14, p 357) We must insist on thorough materialism in both theory and practice. We must also openly clarify the muddled viewpoints of the hidden idealism.

CSO: 4006

NATIONAL ECONOMIC POLICY

HUMAN PAPER COMMENTS ON FALLING INDUSTRIAL OUTPUT

Changsha Hunan Provincial Service in Mandarin 2315 GMT 11 Aug 79 HK

[Text] The 12 August Hunan RIBAO frontpages a reporter's commentary on the situation in the province's industrial production since the beginning of July. The commentary points out: Having overfulfilled over half the year's plan in half the year, industrial production in Hunan has actually declined since the beginning of July. This has not been caused by shortage of power or coal. What is the reason for it then?

According to analysis by the provincial economics committee and the departments concerned, the most important reason is that complacency and slackness have emerged everywhere, and work has been relaxed. This is a serious ideological obstacle to the current movement of increasing production and practicing economy. Hence, all places must absorb this lesson, oppose arrogance and destroy complacency, go all out and strive to win victory in the effort to make production in the second half of the year exceed that of the first half.

CSO: 4006

NATIONAL ECONOMIC POLICY

'RENMIN RIBAO' COMMENTATOR'S ARTICLE ON HIGHER PRODUCT QUALITY

Beijing RENMIN RIBAO in Chinese 2 Sep 79 pp 1-3 HK

[RENMIN RIBAO commentator's article: "Make Greater Efforts To Improve Product Quality"]

[Text] An enterprise's product quality is a general reflection of the work it does. Among other things, it involves technology, management and the internal and external conditions in which the enterprise operates. With regard to the improvement of our product quality, the question that we currently need to solve first is still that of our understanding of product quality.

In the past year or more, many localities and departments have put an end to the decline in product quality. The quality of the majority of our industrial products has been improved, and some products have even basically reached or surpassed the highest historical level of quality and some have even surpassed advanced international levels. However, it should be pointed out that we have not seen an even development in this respect. Due to the interference and sabotage of Lin Biao and the "gang of four" over a long time and due to shortcomings and mistakes in our work, the situation of low product quality has not been fully corrected. According to production statistics for the first half of this year, 33 percent of all the major industrial products from our country's key enterprises have not reached the highest historical level of quality. The quality of a number of products is still below the mark; very often lots of products have to be remade, industrial accidents occur frequently; and there is a high degree of waste. All this constitutes a serious problem for our current industrial and transportation fronts. Thus, strenuous efforts are needed to change such a situation.

The quality of our products is an extremely important matter. In many industrially developed countries, product quality is the lifeline of economic development. Many of our comrades engaged in economic work have yet to deepen their understanding of this. For a fairly long period, there have been quite a few muddled and erroneous ideas in people's minds concerning the relations between quality and quantity. Many of our comrades in the economic field are devoid of the materialist attitude of seeking truth from facts. As we know, there can be no quantity without quality. One high-quality product is far better than

100 rejects or substandard ones. Over the years, we have suffered enough from the bad quality of the products we have made. We should not let things go on like this. As far as quantity is concerned, we have brought about increases in industrial production every year. Speaking in terms of quality, however, we have failed to make remarkable improvements. The issue of product quality has been stressed many times since last year; however, our comrades have not taken measures strong enough to tackle it, nor have significant results been achieved. This situation calls for continued efforts in our battle to implement the principle of putting quality first on the entire industrial front. This will be an excellent way of unfolding the "quality month" activities.

The improvement of product quality forms an important aspect in our efforts to readjust our national economy. It has been the case for many years that we have failed to turn out products needed by the state and the market while unwanted ones have been blindly produced. The quality of some of our products is very low; their specifications do not conform with the requirements of their users and there is a good deal of overstocking. All this has led to an acute shortage of fuels, power and raw materials. In carrying out the readjustment of our national economy, it is imperative to pay attention to overcoming all these problems. If the quality of the products is improved, one product will be as good as several. This is equal to producing more products with the same amount of raw material. It also helps alleviate the shortage of fuels, power and raw materials, too.

There is a close relationship between the improvement of product quality and the movement to increase production and practice economy. Some comrades are worried that improving product quality means increasing consumption. It is true that improving quality sometimes necessitates an increase in the consumption of materials. However, on the whole, improving quality can mean reducing consumption as evidenced by many facts. Under the present situation where fuels, power and raw materials are in short supply, greater economic results will be obtained if we can increase the number of products that are up to the mark. We must increase production and practice economy by improving quality. There are remarkable potentials in this respect.

The first half of this year has witnessed a relatively smaller industrial growth rate. We must improve this in the latter half of the year so our national plan for 1979 can be fulfilled. Time is pressing and our tasks are tremendous. Under such circumstances, the mentality of "the quality targets being something changeable but the quantity targets being something that must be met" will easily rear its head. It is of course important to fulfill production tasks, but we must insure that more and faster economic results are achieved together with better and more economic ones, and that product quality is always well maintained. We must guard against and rectify the tendency of pursuing quantity at the expense of quality and the tendency of stressing more and faster economic results while neglecting the importance of achieving better and more economic results at the same time.

To improve product quality, it is imperative to do a solid job in building a firm foundation and readjusting and strengthening the management of our enterprises. Some of our enterprises do not have a firm foundation and others do not enjoy a high technological level. Comrades in charge of management in

such enterprises have failed to do a meticulous job, and there are no rigid rules or regulations. All this has been one important reason why the quality of some of our products has been so unsteady. In the final analysis, the condition of enterprise management is reflected in terms of product quality. In this sense, we can say that our efforts in promoting enterprise management should be centered on the work of quality control, and that we should adhere to the principle of putting quality first in coordinating all aspects of enterprise management. We must modestly learn from the advanced experiences of foreign countries while being good at summing up our own experiences. We must cultivate the attitude of "all for the users." Just as practice is the sole criterion for testing truth, it is reasonable to say that whether our products can satisfy the consumers is the sole criterion for testing our products. Every enterprise must conduct its production according to the needs of the state and the consumers. We must bring about a new situation where factories conduct their production according to the needs of the state and the consumers instead of making the consumers accept whatever the factories have to offer as we do at present. We must see the quality of our products as the very life of our enterprises. Some of our enterprises have never made any progress; they have been turning out nothing but inferior products for the past 20 to 30 years running. This amounts to deceiving the state and the people. It can even be regarded as a crime. We must shout at such enterprises. You will be cast aside if you do not mend your ways. We must emphasize the importance of "putting prevention first." We must shift the focus of our quality inspection work and, instead of "carrying out inspection after defective goods have occurred," we must step up "quality inspection to prevent the production of defective goods." We must establish a whole scientific system to guarantee quality and find the key to high quality by improving our inspection and management work.

There are difficulties and problems ahead concerning the improvement of the quality of our products. Leading cadres at all levels on the industrial and transport fronts must thoroughly carry out investigations and conscientiously help iron out problems that are beyond comrades at the grassroots levels.

The various departments in charge of production as well as our planning, finance, pricing, goods and materials supply and labor departments must respectively map out plans to encourage enterprises to raise product quality and increase variety so that the work of improving product quality is linked with the interests of the enterprises and the individual. We can introduce methods like fixing higher prices for high-quality products, supplying raw materials on a selective basis, issuing awards and enforcing punishment. Departments concerned at the provincial, municipal or autonomous regional levels must also adopt certain measures and try them out so the enthusiasm of the enterprises to improve quality and increase variety can be brought into full play. In short, to implement the principle of putting quality first, we must dovetail the superstructure with the needs of the enterprises and help them in their efforts to improve product quality. We must bring about the fundamental transformation of all rules and regulations that hinder our efforts to improve product quality.

As part of this year's "quality month" activities, the state is going to issue gold and silver medals for some best-quality products. This will be the highest honor conferred on enterprises and individuals that make such products. We must bring about a social atmosphere in which "manufacturing high-quality products is regarded as glorious while turning out low-quality ones is regarded as shameful." Products made by advanced groups or individuals like the Ha Heng-chang and Hao Jianxiu groups and the individual Mao Xinxian are dependable to the state and the people because such groups and individuals have always insisted on the principle of putting quality first. Consistent efforts must be made to mobilize and organize all our staff workers to do the same. An enterprise that fails to put quality first cannot be regarded as a socialist enterprise; people who fail to do so, will be regarded as not having measured up to the title of masters of our country.

Whether the speed of our industrial growth and the revenues to be turned over to the state by the enterprises can meet the targets this year largely depends on the improvement of product quality and the reduction of consumption. We must put an end to such stupid practices as solely pursuing quantity and product value in complete disregard for product quality and market needs. We must conscientiously implement the principle of readjusting, restructuring, consolidating and improving the national economy, combine the improvement of product quality with the movement to increase production and practice economy and make vigorous efforts to increase the production of high-quality products that are welcome by the masses, urgently needed in our socialist construction and sell well on the market. We must guarantee the fulfillment of state plans on the premise of improving product quality and reducing consumption. This should become the main task for our "quality month" activities as well as the principle to uphold for a long period to come. Let us get further mobilized and try our best to improve the quality of our products to celebrate the 30th anniversary of the founding of our republic.

CSO: 4006

GENERAL ECONOMIC INFORMATION

'RENMIN RIBAO' ON INDUSTRIAL MODERNIZATION IN JAPAN

Beijing RENMIN RIBAO in Chinese 6 Sep 79 p 6 HK

[Article by Lin Hong [2651 3163]: "In the Vanguard of Industrial Modernization--Some Observations on the Rapid Development of the National Economy in Japan"]

[Excerpts] In response to an invitation from YOMIURI SHIMBUN, the RENMIN RIBAO delegation paid a friendly visit to Japan from 16 to 31 July. We were warmly received by the Japanese hosts and everywhere experienced the warm friendship expressed by the Japanese people toward the Chinese people. In succession we visited such places as Tokyo, Kyoto, Osaka, Nara, Kobe and Sendai. On 27 July, Prime Minister Ohira gave a reception to the delegation and had a friendly talk with us. Although it was a short visit, the impression we received was profound.

A Capitalist Country of High Industrial Development

The first impression during our visit was that Japan is a modern capitalist country of high industrial development. One of the comrades in our delegation grew up in Japan and attended a university there before returning to the motherland in 1953. According to him, the level of industrial development in Japan at that time was basically the same as ours. Many Japanese friends also told us that after the war Japan was almost in complete ruin. However, some 30 years later, a cluster of modern cities unfolded before our eyes. From our express train on the 850 kilometer trip from Tokyo to Osaka, we noticed that the towns and rural areas have already basically joined together. It is almost impossible to tell where the towns end and the rural areas begin. According to statistics, the Japanese gross national product increased 4.8-fold from 1955 to 1976 which works out to an average increase of 8.7 percent a year. Industrial production increased by 8.4 fold or an average increase of 11.3 percent a year, national income increased 6.4-fold or an average of about 10 percent a year. The actual income of workers increased 2.1-fold or an average of 5.6 percent a year. In the early 1960's, Japan's industrial output already ranked fifth in the world. By 1973, it had already leaped to third place. By 1978, the average gross national product per capita was approaching that of the United States.

The changes which have taken place in Japan in the 30 some years since the war are remarkable, and the people's working and living conditions have greatly improved. Naturally, exploitation, oppression and other rotten and seamy phenomena also exist since Japan is a capitalist country. Because of the capitalist economic crisis, economic growth since 1973 has slowed down, unemployment is increasing and many social problems are appearing. In our conversations, our Japanese friends made no secret that many factors of instability exist in their society. They expressed that they are also unaccustomed to the sight of some of these phenomena.

Subjective Factors of Rapid Economic Development

Japan is an island country with limited land and natural resources. Most of the raw and building materials and fuel for the development of industrial production must be imported. Japan must rely on foreign markets for the sale of its goods. Why did the Japanese economy develop so rapidly after the war? This is the question we are most concerned about.

Subjectively, there were definitely many favorable conditions that enabled the Japanese economy to develop rapidly for a relatively long time after the war. For example, its industry was comparatively developed before the war; it had a rather strong technical force; its national defense expenditures were very low; it received powerful support in capital and technology from the United States; and it had extensively introduced advanced science and technology from abroad. In particular, it made a fortune from the two wars of aggression against Korea and Vietnam started by the United States and obtained enormous amounts of cheap raw materials and fuel from abroad. These factors no doubt are important and realistic. However, external causes can only be brought into play through internal causes. What efforts then have they actually made which enabled their economy to quickly develop and move to the forefront of the world? This is a very complicated question which requires thorough investigation and study. Here is only what we have seen and heard. We will briefly discuss how they learned and applied advanced world science and technology and what are the salient features of their enterprise management. From this, we may also see the kind of spirit inherent in the Japanese people.

In the middle of the 1950's, Japan became aware that because of the increasing development of science and technology, a so-called "consumer revolution" had appeared in the capitalist world. In other words, automobiles and such household commodities as refrigerators, washing machines, transistor radios and televisions had become more and more popular. In the garment sector, all manner of synthetic fibers gradually replaced the position occupied by cotton and woolen goods. These products not only enjoyed good sales and high profits in markets at home and abroad, but this "revolution" also effectively pushed forward Japan's great development of modern industry. After certain developments had been made in such basic industries as electricpower and steel, the Japanese enterprises devoted considerable energy to the development of such new industrial departments as electronics, electrical appliances, automobiles, petrochemicals and synthetic fibers, and very quickly enabled the products of these departments to reach advanced world levels in both quantity and quality.

Regardless of whether they were developing basic or new industries, they always actively and boldly introduced advanced technology from abroad. According to statistics, from 1950 to 1975, they selectively introduced an enormous amount of western technology and installations from scores of countries including the United States. In just 15 years, they assimilated and popularized almost all the scientific and technological achievements which took various countries of the world half a century to develop. What merits attention is that in the process of assimilating and applying these things, they did not merely copy but carried out improvements and inventions on the basis of fully digesting what they had learned. Many enterprises have not only universally developed activities to make rational proposals, but have also set up their own scientific research departments and retained a large number of scientific research people to concentrate on improving product and service quality and creating new products.

Science and technology must be managed and run by people. Without the energetic development of education and the training of large numbers of qualified people, modernization of the national economy will be impossible. Since the Meiji reform, Japan has been attaching great importance to the development of education. After the war, Japan attached even greater importance to the development of education, for the sake of quickly developing industry and agriculture. It should be said the subjective effort they made in this direction was very great and the development successful. Junior middle school education became universal in 1948 and senior middle school education in 1976. When realizing the modernization of industry in the 1960's, about 7 million senior middle school graduates who received special and technical training joined various economic departments as workers, becoming the main source of the labor force in society. The development of college education has been even faster. In 1950, there were 200 regular 4-year colleges with 220,000 students. In 1973, this number had increased to 405 with 1.5 million students. To increase vocational education, Japan has also developed 2-year junior colleges in a big way. Apart from these, various enterprises in Japan have also employed different methods to provide extensive vocational training for their workers, technicians and administrative staff. Several large steel companies have joined in to run a steel college, paying tuition and board for their workers who are given 2 years leave with pay to attend.

There Must Be A Scientific Enterprise Management System

In the rapid development of its economy, Japan has established a set of scientific management regulations. The constant perfecting and systematization of enterprise management have in turn promoted the rapid development of the enterprises. Our Japanese friends informed us that they also have had lessons in this direction. In the 1950's when Japan began to introduce advanced technology and equipment from the United States, it also introduced some advanced management techniques. However, the question of management did not receive the importance it deserved from the whole industry. Most of the enterprises still followed the old methods of "spiritual control" or "management by exhortation" used before the war. Consequently, product quality, labor productivity and production costs all fell far behind those of the United States, even though they had advanced technology and equipment. Later they summed up

this experience and, in conjunction with native traditions, created a management system for training workers, testing cadres, inspecting quality and investigating and studying science and technology, centering on improving product and service qualities. A unique feature of this management system is that they have looked upon attaching importance to the human factor and giving play to the enthusiasm and initiative of the workers as the guiding thought in the proper running of enterprises.

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FUELS AND POWER

HONG KONG PAPER COMMENTS ON CHINA'S WAYS TO REPAY DEBTS

Hong Kong TA KUNG PAO in Chinese 17 Sep 79 p 2 HK

["Political Talk" column by Shih Chun-yu: "'Burning Oil is Burning Foreign Exchange...'"]

[Text] Asking for Loans From Foreign Countries

Chinese Vice Premier Gu Mu has concluded his visit to Japan and returned to China. During his visit, he successfully fulfilled his most important task of holding talks with the Tokyo authorities on \$5.5 billion worth of government loans. Prior to the visit, Japanese nongovernmental organizations had already decided to offer \$2 billion worth of loans to China.

During his visit to China, United States Vice President Mondale announced a decision on offering \$2 billion worth of loans to China over the following 5 years.

China has also asked for loans from other countries.

Of course, these huge loans which amount to billions of dollars are all to be used for realizing the four modernizations.

Money Borrowed From Others Must Be Repaid

Money borrowed from others must be repaid. The new China never owed a foreign debt in the past, something which is detrimental to developing China's economic construction. It also shows that we were not accustomed to living by borrowing. Now we have borrowed a lot of money. In what ways can we repay the debts?

Doing so primarily depends on developing foreign trade and increasing exports. Repaying the debts also depends on developing tourism, increasing foreign exchange income and other things.

It will not be easy to earn foreign exchange from tourism. We are short of personnel who have an intimate knowledge of tourism, and our material facilities for tourism have yet to be improved. We first have to go through a process of development before earning a huge amount of foreign exchange from tourism.

Exporting agricultural and light industrial products and handicrafts can certainly increase our foreign exchange income. Therefore these exports should be increased. Viewing the situation as a whole, we can say that if we only rely on these exports to repay our debts, we will find ourselves in a very difficult position.

Repaying the Debts Primarily Depends on Oil

Since China has borrowed so much money and will borrow more from now on, in what ways can China repay its debts? The answer is that China has to primarily depend on exporting its oil to repay its debts.

China's oil output in 1978 reached over 100 million tons and its oil output this year will be still higher.

China has not only quickly increased its oil output but is also actively prospecting for new oil fields, not counting inland oil field exploitation. Nine offshore regions are currently collecting data and investigating their oil deposits with the help of American, Japanese, Dutch and French petroleum companies. Of the nine offshore regions, one is in the Gulf of Bohai, two are in the Yellow Sea, three are in the South China Sea and the other three are in close vicinity to Hainan Island. Oil has already been exploited in one of the three regions which are close to Hainan Island.

The energy crisis has affected many places in the world and oil prices have shot up. In Asia, the oil price has increased by over 50 percent as compared with the beginning of this year, thus aggravating inflation. However, these things have not happened in China, largely because of the above-mentioned healthy development of oil production.

Use Oil Sparingly

In addition to increasing output, we must also practice economy.

With regard to the rational use of oil, China has gone through a process of deepening its understanding. China had first put undue emphasis on learning from the fuel structures of some advanced industrialized countries, thinking that having a high proportion of oil consumption meant being advanced. As a result, some enterprises which originally used coal as their fuel were turned into enterprises using oil as their fuel. From 1966 to 1977, China's oil consumption increased over 16 times. In addition to fuel oil consumption, China has been forced to burn over 10 million tons of crude oil in recent years. The spectrum of oil consumption has also not been rational: necessary and rational oil consumption for production and technology only accounts for 35 percent of the total volume of oil consumption while oil irrationally used for fueling boilers accounts for 65 percent.

Therefore Beijing has loudly appealed to the public to modify oil-burning boilers into coal-burning ones, reducing oil consumption and using oil sparingly. A RENMIN RIBAO commentator's article very vividly noted: "Burning oil means burning foreign exchange and ruining the speed of modernization."

Working Along Both Lines

We must increase oil output in a big way and actively use oil sparingly. Working along the two lines, we must increase the export of oil and exchange our oil for foreign exchange to insure a smooth development of China's modernization. The whole nation from the leadership to the masses are actively making great efforts to achieve these goals. This is a vivid example of how China relies on its own strength and makes use of foreign forces.

Those who are afraid that China is incapable of repaying its debts may now feel at ease.

CSO: 4006

DOMESTIC TRADE

STATE MONOPOLY IMPEDES INDUSTRY DEVELOPMENT IN XINJIANG

Beijing XINHUA Domestic Service in Chinese 0248 GMT 9 Aug 79 OW

[Research work by XINHUA Correspondent Zhang Huanxu: "The State Monopoly on the Purchases and Distribution of Finished Products Is Not in the Interests of Local Industry"]

[Excerpts] Urumqi, 9 Aug--In the second half of 1978 a small "economic crisis" caused by a surplus of industrial products swept across Xinjiang. At that time nearly 110 million Yuan worth of surplus commodities, including electric light bulbs, plastic shoes, turbans, locks, washtubs, and woolen textiles overflowed the local markets. Commercial stores were forced to sell them at reduced prices. Statistics show that in 1978 the disposal of surplus commodities at reduced prices caused the commercial departments in Xinjiang to suffer a loss of 10 million yuan.

Was that really an "economic crisis?" A comrade familiar with the economic situation in Xinjiang has said: it was the result of the state monopoly of purchases and distribution of finished industrial products rather than an economic crisis. But why had the state monopoly of the purchases and distribution of finished industrial products caused such an "economic crisis"? An answer to this question can be found from an analysis of the following facts:

1. The state monopoly of purchases and distribution of finished industrial products led the industrial departments to engage in production without paying any attention to the real needs of the market and to neglect the need for coordination between producers and marketing agents. For example, a lack of coordination between a turban producer and his marketing agent in Xinjiang resulted in a surplus of 400,000 turbans annually for the past few years.
2. The state monopoly of purchases and distribution of finished industrial products is a system which provides no incentives to the industrial enterprises to progress. A comrade specializing in economic affairs has said: "The state monopoly of purchases and distribution of finished industrial products has deprived the market of any semblance of competition, which is usually regarded as a major factor in driving an industrial enterprise to advance in production." Certainly, there is truth to this statement. For example, to deliberately

avoid competition and to promote local products, the commercial departments in Xinjiang tried to suppress the import of multicolored washtubs from other parts of China, a product which has proven more popular with the local consumer than the white washtubs produced in Xinjiang.

3. The state monopoly caused the circulation of commodities to slow down so much that not enough goods were available to meet the growing needs of the market in good time.

4. Although the state monopoly provides industry with easy access to the market, many enterprises under state protection have tried to sell everything they produce without paying any attention to its quality and cost of production or whether it was welcomed by the consumer.

Practical experience shows that the monopolization practiced by the commercial departments is a factor which impedes the development of local industry. Although this method once played a positive role in developing local industry. The excessive protection given it has discouraged it from displaying a competitive spirit or an ability to compete with others. Under such circumstances, it can neither survive any test of a changing situation on the market nor viably grow.

Recently the commercial departments in Xinjiang began to change this method of monopolization by giving the individual purchasers freedom of choice in ordering products from factories. The ties between industry and commerce have been strengthened after they were allowed to do business on a contract basis. The problem caused by the lack of coordination has been resolved since the industrial producers are now being given direct access to the market.

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FOREIGN TRADE

HONG KONG PAPER REPORTS PLANS FOR JOINT VENTURES IN PRC

Hong Kong TA KUNG PAO in Chinese 31 Aug 79 p 1 HK

[TA KUNG PAO reports: "Rong Yiren Expounds Problems Concerning Joint Ventures Using Chinese and Foreign Investment--China International Trust and Investment Corporation To Set Up Branch in Hong Kong"]

[Excerpts] From our own reports: Vice Chairman of the CPPCC and general manager of the China International Trust and Investment Corporation (CITIC) Rong Yiren, yesterday met with a group of reporters in Hong Kong and answered a series of questions about joint ventures using Chinese and foreign investment.

Rong Yiren said that to strengthen China's contacts with investors, CITIC will set up an organization in Hong Kong. One of the aims of his recent trip here has been to make a study about it so that a decision on this could be made after his return to China.

Guangdong To Set Up Investment Corporation

Rong noted that in order to solve the numerous problems concerning joint ventures, it was imperative to enact laws such as a tax law, company law, patent law and labor law and he revealed that such work had been under way by departments concerned in China. However, he cited a foreign lawyer as saying: "Even if there are 1,000 provisions in the law on the subject, you might still have a 1001st question to ask." Rong Yiren said, therefore, that it was necessary to iron out concrete problems through concrete consultation. He did not think that the joint ventures would be held up until all the relevant laws were promulgated. He pointed out that the prerequisite to joint ventures was "mutual trust and understanding."

In his opinion, income tax was only related to the amount of profit made and cost accounting had nothing to do with it. However, he continued, joint ventures were profitable and they could get going before the promulgation of the tax law.

Rong went on to say that there was still room for discussion on the provision in the law on joint ventures which stipulates that a joint venture equipped with up-to-date technology by world standards may apply for a reduction of or exemption from income tax for the first 2 or 3 profit making years.

He also revealed that the Guandong provincial authorities were considering the establishment of its trust and investment corporation to deal with foreign investment in the province.

The following is a gist of his interview with the reporters. The order of the questions and answers have been reorganized.

[Reporter] Will you please talk about your views on China's domestic situation in relation to investment?

[Rong Yiren] I think the political and economic situation at home is excellent: the situation of stability and unity is continuing to develop. The future of such a situation depends on the economic foundation. Along with the development of the economic foundation, the political and economic situation will improve still further. By that time, we will enjoy a still higher degree of stability and unity, and achieve greater and more rapid progress.

Proportions of Contribution by Foreign Participants are Negotiable

[Question] The law on joint ventures has stated the minimum proportion of the contribution to the registered capital of a joint venture by the foreign participant. Why is it that there is no mention of the Marxism limit?

[Answer] No maximum limit stated in the law means that no such limit is being imposed. The maximum proportion may reach 100 percent; it depends on the individual requirements. If the foreign participant's contribution to the capital of a joint venture reaches 100 percent, the venture becomes a 100 percent foreign-owned enterprise. These concrete problems may be discussed in a concrete manner and it is most likely that a law on foreign investment will be enacted in the future.

[Question] Why are such big proportions allowed?

[Answer] The proportion of the contribution of a party to a joint venture concerns the distribution of profits and has nothing to do with national sovereignty. The reason is that the law on joint ventures was drafted according to the laws of our country while the activities of the joint ventures are governed by our laws, decrees and pertinent rules and regulations. This is of primary importance.

Our main objective is to promote cooperation between foreign investors and us and to quicken the pace of the four modernizations. We will agree to 100 percent investment, but that depends on what role such investment will play. We are paying a higher price but in return we can get the four modernizations

going quicker. We rely mainly on our own efforts but we do not exclude foreign aid, because foreign aid helps us implement the principle of self-reliance more effectively.

Proportions of Contribution and Shareholders' Say

[Question] Will the different proportions of contributions by the participants to a joint venture affect their say on the ventures' affairs?

[Answer] This is true in capitalist countries but things will differ in joint ventures in China. In enterprises abroad, it is generally the case that the worlds of a bigger shareholder carry more weight and of course there is the right to vote. However, we are not going to do it that way. Whenever major problems crop up, we prefer to solve them through consultations. This will play a protective role for both parties in a venture and protect the interests of the smaller participant.

A foreigner told me that there is a prerequisite to joint ventures and that is "mutual trust and understanding." Yes, that's right. With such a prerequisite, it will be easy to set about doing things.

The Board Chairman Must Be Chinese

[Question] How about the management of joint ventures?

[Answer] The general manager of a joint venture may be a foreigner or Chinese. If a foreigner takes up this post, we can benefit by earnestly and sincerely learning something from him. It is stipulated in the law that the chairman of the board of directors must be Chinese. This is appropriate by all standards because China is the host country in which the joint ventures will be established. At the same time, there will also be one or two vice chairmen on the board of directors of a joint venture and foreigners can assume this post. Some people are worried that this will mean that they will be in a passive position. Such worries are totally unnecessary: We are sincere and aboveboard.

Normal Profit Will Be Protected

[Question] Some investors believe that it is difficult to calculate operation costs and begin to invest before the profit tax rate is clarified. What is your comment on this?

[Answer] I don't think it is impossible to start up joint ventures until the tax law is promulgated. Both parties to a joint venture share the common view that both foreign investors and we must make profit. We do not start up the ventures to lose money. Income tax will be calculated according to the gross profit made. Only when there is profit can there be income tax. Therefore, income tax is not part of the costs; it has no bearing on the costs. Income tax is related to profit only. We have taken all this into account. In short, staggering profit is impossible but normal profit is certain; joint ventures will be profitable. We don't expect anyone to join undertakings that promise no profit.

[Question] According to the law on joint ventures, a joint venture may apply for a reduction of or exemption from income tax for the first 2 or 3 profit making years. Is there still room for discussion on this?

[Answer] Yes.

[Question] Do you mean it can be a period of 2 or 3 years or even more time?

[Answer] Yes, it will depend on the concrete situation of each case.

[Question] Vice Premier Gu Mu recently spoke of supplementary regulations for the law on investment. Could you shed any light on their content?

[Answer] I imagine that something will be publicized concerning problems about which investors should know.

[Question] What do you think are the other legal codes to be publicized?

[Answer] The matter of joint ventures involves a lot of practical problems. Some laws, such as tax law, company law, patent law and labor law, need be promulgated. These are currently being prepared by departments concerned. Will these laws offer answers to all problems? That is impossible. A foreign friend who is a lawyer put it very well: "Even if there are 1000 provisions in the law on the subject, you might still have a 1001st question to ask." That is why we say concrete problems had better be tackled through concrete consultations.

[Question] How about the problem of land?

[Answer] There are two ways of solving this problem: First, to lease a site; second, to treat the site as part of the contribution by evaluating the use of the site needed in monetary terms.

[Question] How will such evaluations be carried out?

[Answer] It all depends on the practical situation and this may differ in different localities.

[Question] Will you please say something about the scope of business of your corporation?

[Answer] The China International Trust and Investment Corporation is a business concern specializing in investment matters. Joint ventures naturally fall within its scope and we also deal with 100 percent investment. The different localities in China will handle enterprises in the compensatory trade category, of a short-term nature involving relatively smaller amounts of investment. Our corporation will handle matters concerning compensatory trade enterprises of a long-term nature involving larger investments. Other items include trusteeship. For example, we act as trustees for overseas Chinese and compatriots from Taiwan, Hong Kong and Macao who need assistance about where to invest their money.

[Question] In the past there were overseas Chinese investment companies in Guangdong and Fujian provinces. If new trust and investment corporations are set up in these provinces, what will the relations be like between your corporation and theirs?

[Answer] We know that Guangdong is considering the setting up of an investment and trust corporation and we have been informed of this. We are currently studying this.

Investment in Light Industries and Mineral Exploration Are Welcome

[Question] What businesses in China are now open to investment?

[Answer] All trades are open to investment. Judging from the present situation, investments in textiles and other light industries can bring quick results. Some people have also noticed the rich natural resources in China and are greatly interested in exploring our underground minerals. Personally I also hope for the full utilization of our resources.

We are taking an active attitude toward joint ventures and we welcome investments from abroad.

[Question] How can the investors get in touch with you?

[Answer] They can contact us directly, or come to China for consultations. In order to strengthen our contacts with investors, our corporation is going to open a branch here in Hong Kong and help solve some practical problems.

FOREIGN TRADE

SHANGHAI ISSUES WARNING ON IMPORTED EQUIPMENT INSPECTION

Shanghai City Service in Mandarin 1130 GMT 10 Aug 79 OW

[Excerpts] According to the Shanghai People's Procuratorate, some units in Shanghai have not carried out the state council's regulations calling for strict inspection of imported goods. This has caused the state to suffer economic losses.

The state council has repeatedly stressed the necessity of inspecting imported goods. Some units in Shanghai have conscientiously acted upon the instructions of the state council. According to the No 1 supply station of the Shanghai metal products company, the station was paid \$360,000 in compensation by a foreign exporter because a shipment of metal products was short of the weight agreed upon in the contract. It was able to discover the shortage because it strictly inspected all imported goods. Some units, however, have used imported goods without checking on their weight. For instance, a chemical works imported a chemical product in November 1977. The Shanghai municipal products inspection bureau urged the works several times to check on its imported goods, but the works ignored the advice. Later, when the chemical product was reweighed, it was 14 dun short, and the works lost more than \$5,740.

A factory imported more than 200,000 dun of steel piles from September 1978 to April 1979. About 53 percent of these piles were not inspected to determine their quality. The rest were also not checked according to the agreement in the contract. The Shanghai municipal products inspection bureau recently inspected some of the steel piles and discovered that some failed to meet quality standards.

The Shanghai Municipal People's Procuratorate pointed out that the state council's regulations on inspecting imported goods were an important measure for safeguarding state sovereignty and economic interests. However, some departments and government personnel have not enforced the regulations. This behavior must be changed. From now on, if similar situations are discovered, especially situations which cause the state to suffer heavy losses, the People's Procuratorate will prosecute those units responsible for such situations according to law.

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FOREIGN TRADE

BRIEFS

TIANJIN EXPORT PLANS--Tianjin foreign trade departments overfulfilled the export plans for the first half of the year by 6.5 percent, marking a 40.3 percent increase over the corresponding period last year, and increased the volume of commodities procured for export by 31.9 percent compared to last year. [Tianjin City Service in Mandarin 2330 GMT 5 Jul 79]

SHANDONG PROVINCE'S EXPORTS--During the first half of this year, Shandong Province fulfilled 52.9 percent of the total annual quota for procurement of commodities to be exported, or 27.5 percent more than the corresponding period last year. The export quota for this year was fulfilled by 59.6 percent, and this was 62.5 percent more than the exports for last year's corresponding period. According to incomplete statistics, some 40 additional varieties of products have been exported this year as a result of efforts to promote foreign trade. [Jinan Shandong Provincial Service in Mandarin 2300 GMT 11 Jul 79 sk]

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TRANSPORTATION

BRIEFS

BEIJING-CHENGDE FLIGHT--Beijing, 7 Aug--To meet the development of tourism in our country, a new flight between Beijing and Chengde, an ancient city in northern Hebei, will be officially inaugurated on 8 August by the Beijing Bureau of the Civil Aviation Administration of China. Several unscheduled flights will be operated between Beijing and Chengde every week. This 250-km air route connecting Beijing and the well-known summer resort Chengde will cut traveling time from 7 hours by train to only half an hour by air. [Beijing XINHUA Domestic Service in Chinese 1159 GMT 7 Aug 79 OW]

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